

# **Village of Holly, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2017**

# Village of Holly, Michigan

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# Village of Holly, Michigan

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## Independent Auditor's Report

To the Board of Directors  
Village of Holly, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Holly, Michigan (the "Village") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Village of Holly, Michigan's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Holly, Michigan as of June 30, 2017 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Village of Holly, Michigan

**Other Matters**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

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

*Plante & Moran, PLLC*

November 16, 2017

# Village of Holly, Michigan

## Management's Discussion and Analysis

Our discussion and analysis of the Village of Holly, Michigan's (the "Village") financial performance provides an overview of the Village of Holly, Michigan's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Village's financial statements.

### Using this Annual Report

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

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

### Governmental Activities

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

	Governmental Activities			Percent Change
	2016	2017	Change	
Other assets	\$ 2,502,769	\$ 2,604,652	\$ 101,883	4%
Capital assets	<u>2,760,240</u>	<u>2,834,360</u>	<u>74,120</u>	3%
Total assets	5,263,009	5,439,012	176,003	3%
Deferred outflows of resources	827,536	517,990	(309,546)	100%
Current liabilities	192,398	294,420	102,022	53%
Long-term liabilities	<u>4,704,342</u>	<u>4,764,481</u>	<u>60,139</u>	1%
Total liabilities	<u>4,896,740</u>	<u>5,058,901</u>	<u>162,161</u>	3%
Net position:				
Net investment in capital assets	2,760,240	2,834,360	74,120	3%
Restricted	419,125	328,558	(90,567)	-22%
Unrestricted	<u>(1,985,560)</u>	<u>(2,264,817)</u>	<u>(279,257)</u>	14%
Total net position	<u>\$ 1,193,805</u>	<u>\$ 898,101</u>	<u>\$ (295,704)</u>	-25%

# Village of Holly, Michigan

## Management's Discussion and Analysis (Continued)

	Governmental Activities			
	2016	2017	Change	Percent Change
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 981,665	\$ 960,849	\$ (20,816)	-2%
Operating grants	504,587	537,217	32,630	6%
Capital grants	9,924	5,751	(4,173)	100%
General revenue:				
Property taxes	1,363,089	1,348,586	(14,503)	-1%
State-shared revenue	562,976	617,994	55,018	10%
Investment earnings	6,207	6,508	301	5%
Other revenue	170,443	145,614	(24,829)	-15%
Total revenue	3,598,891	3,622,519	23,628	1%
<b>Program Expenses</b>				
General government	391,800	485,422	93,622	24%
Public safety	1,878,483	1,971,844	93,361	5%
Public works	1,227,539	1,291,600	64,061	5%
Community and economic development	71,700	105,783	34,083	48%
Recreation and culture	117,414	63,574	(53,840)	-46%
Interest on long-term debt				
Transfer out	4,556	-	(4,556)	
Total expenses	3,691,492	3,918,223	226,731	6%
<b>Change in Net Position</b>	<b>\$ (92,601)</b>	<b>\$ (295,704)</b>	<b>\$ (203,103)</b>	219%

The Village's total governmental revenue increased by \$23,627 due primarily to an increase in the charges for services and operating grants. Expenses increased by \$226,730 during the year due primarily to increases in public safety for costs related to the Village Dispatch unit.

Total governmental net position decreased by 25 percent from a year ago, from \$1,193,805 to \$898,101. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, decreased by \$279,257 for governmental activities. This represents a decrease of approximately 14 percent. The current level of unrestricted net position for our governmental activities stands at (\$2,264,817) or (58) percent of governmental activity expenses.

# Village of Holly, Michigan

## Management's Discussion and Analysis (Continued)

### Business-type Activities

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

	Business-type Activities			Percent Change
	2016	2017	Change	
Other assets	\$ 3,829,236	\$ 4,612,613	\$ 783,377	20%
Capital assets	<u>30,098,387</u>	<u>29,177,433</u>	<u>(920,954)</u>	-3%
Total assets	33,927,623	33,790,046	(137,577)	0%
Deferred outflows of resources	882,862	635,100	(247,762)	
Current liabilities	275,877	274,380	(1,497)	-1%
Long-term liabilities	<u>15,256,601</u>	<u>14,101,258</u>	<u>(1,155,343)</u>	-8%
Total liabilities	<u>15,532,478</u>	<u>14,375,638</u>	<u>(1,156,840)</u>	-7%
Net position:				
Net investment in capital assets	18,005,695	18,272,655	266,960	1%
Restricted	828,996	752,000	(76,996)	-9%
Unrestricted	<u>443,316</u>	<u>1,024,853</u>	<u>581,537</u>	131%
Total net position	<u>\$ 19,278,007</u>	<u>\$ 20,049,508</u>	<u>\$ 771,501</u>	4%

	Business-type Activities			Percent Change
	2016	2017	Change	
Operating revenue	\$ 2,335,296	\$ 2,432,975	\$ 97,679	4%
Operating expenses, other than depreciation	2,026,166	2,049,361	23,195	1%
Depreciation and amortization	<u>979,806</u>	<u>975,998</u>	<u>(3,808)</u>	0%
Operating loss	(670,676)	(592,384)	78,292	-12%
Debt service charges	1,607,513	1,609,577	2,064	0%
Interest income	21,570	38,225	16,655	77%
Interest expense	(262,273)	(330,308)	(68,035)	26%
Other miscellaneous revenue	2,825	-	(2,825)	100%
Cell tower leases	18,250	18,250	-	0%
Capital contributions and transfers	<u>6,899</u>	<u>28,141</u>	<u>21,242</u>	308%
Change in net position	<u>\$ 724,108</u>	<u>\$ 771,501</u>	<u>\$ 47,393</u>	7%

# **Village of Holly, Michigan**

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

The Village's business-type activities consist of the Water and Sewer Funds. We provide water to residents from village wells and sewage treatment through a Village-owned and operated sewage treatment plant. The net position of business-type activities increased 4 percent from a year ago, increasing from \$19,278,007 to \$20,049,508. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$581,537 or 131 percent. The current level of unrestricted net position stands at \$1,024,853 or about 30 percent of annual expenses including depreciation and interest expenses.

Debt service charges increased less than 1 percent from a year ago, increasing from \$1,607,513 to \$1,609,577 due primarily to an increase in active meters being serviced in the Village; the debt service fee for water and sewer is charged per meter instead of billed based on account.

Operating expenses increased \$23,195 from a year ago primarily due to an increase in fringe benefits and repairs and maintenance expenses. The interest expense for the outstanding debt increased due to refundings of water and sewer debt that occurred in the prior year.

### **The Village's Funds**

Our analysis of the Village's funds begins on page 12, 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 2017 include the General Fund and Major Streets Fund. The General Fund includes services of the general government, i.e., the Village Council, manager, clerk-treasurer - public safety (police and fire), public works, and community and economic development, and provides services for planning and zoning, senior transportation, and parks and recreation. Public safety makes up 58 percent of the total General Fund expenditures.

# Village of Holly, Michigan

## Management's Discussion and Analysis (Continued)

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

	Governmental Funds			
	2016	2017	Change	Percent Change
<b>Revenue</b>				
Property taxes	\$ 1,363,089	\$ 1,348,586	\$ (14,503)	-1%
Charges for services	740,205	706,934	(33,271)	-4%
Licenses and permits	102,363	100,617	(1,746)	-2%
State-shared revenue	562,976	617,994	55,018	10%
Act 51 funding	443,319	443,356	37	0%
Federal, state, and local grants	62,713	95,379	32,666	52%
Fines and forfeitures	19,443	13,460	(5,983)	-31%
Investment income	6,207	6,508	301	5%
Special assessments	340,472	357,480	17,008	5%
Other	95,350	52,611	(42,739)	-45%
<b>Total revenue</b>	<b>3,736,137</b>	<b>3,742,925</b>	<b>6,788</b>	<b>0%</b>
<b>Expenditures</b>				
Current:				
General government	421,195	467,581	46,386	11%
Public safety	1,644,971	1,584,372	(60,599)	-4%
Public works	1,075,904	1,323,120	247,216	23%
Health and welfare	56,236	62,801	6,565	12%
Community and economic development	17,414	40,000	22,586	130%
Recreation and culture	36,567	39,091	2,524	7%
Capital outlay	95,687	215,997	120,310	126%
Debt service	-	-	-	
<b>Total expenditures</b>	<b>3,347,974</b>	<b>3,732,962</b>	<b>384,988</b>	<b>11%</b>
<b>Excess of Revenue Over Expenditures</b>	<b>388,163</b>	<b>9,963</b>	<b>(378,200)</b>	<b>-97%</b>
<b>Other Financing Uses - Transfers - Net</b>	<b>(4,556)</b>	<b>-</b>	<b>4,556</b>	<b>-100%</b>
<b>Net Change in Fund Balances</b>	<b>383,607</b>	<b>9,963</b>	<b>(373,644)</b>	<b>-97%</b>
<b>Fund Balances - Beginning of year</b>	<b>1,723,363</b>	<b>2,106,970</b>	<b>383,607</b>	<b>22%</b>
<b>Fund Balances - End of year</b>	<b>\$ 2,106,970</b>	<b>\$ 2,116,933</b>	<b>\$ 9,963</b>	<b>0%</b>

Other revenue decreased during the year by \$42,739 primarily due to the sale of village assets and settlements and recoveries that occurred during the year.

Property tax revenue experienced a small decrease of about 1 percent. Charges for services decreased by \$33,271 in the current year. State-shared revenue increased by 10 percent, while Act 51 revenue was fairly consistent.

Overall expenditures in the governmental funds increased by \$384,987, or 11 percent, in the current year.

# **Village of Holly, Michigan**

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

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

### **General Fund Budgetary Highlights**

Over the course of the year, the Village amended the budget to take into account various minor expenditures and revenue changes. Increases in revenue and monitoring of expenditures resulted in an increase in the fund balance of \$103,100.

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

During 2017, the Village had various infrastructure projects and the majority of the governmental activities capital asset purchases of \$440,000 were related to the various equipment purchases, road repairs, and emergency vehicles.

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

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

### **Economic Factors and Next Year's Budgets and Rates**

#### **Local Economy**

The Downtown Development Authority (the "DDA") and the Holly Chamber of Commerce have a working partnership agreement to promote the Village of Holly, Michigan a 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 as well as visitors. Taxable values in the DDA district remained unchanged from prior year, and priorities were made to continue to provide services to village residents.

#### **Contacting the Village's Management**

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

# Village of Holly, Michigan

## Statement of Net Position June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 4)	\$ 2,139,916	\$ 3,142,143	\$ 5,282,059	\$ 75,503
Receivables	274,860	585,313	860,173	190
Internal balances	(102,723)	102,723	-	-
Inventory	-	30,434	30,434	-
Prepaid expenses and other assets	2,600	-	2,600	-
Restricted assets	-	752,000	752,000	-
Land held for resale	-	-	-	62,538
Capital assets (Note 6):				
Assets not subject to depreciation	217,170	80,401	297,571	-
Assets subject to depreciation	2,617,190	29,097,032	31,714,222	-
Land contract receivable (Note 7)	289,999	-	289,999	-
<b>Total assets</b>	<b>5,439,012</b>	<b>33,790,046</b>	<b>39,229,058</b>	<b>138,231</b>
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized (Note 1)	-	289,778	289,778	-
Pension-related amounts (Note 11)	517,990	345,322	863,312	-
<b>Total deferred outflows of resources</b>	<b>517,990</b>	<b>635,100</b>	<b>1,153,090</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	154,621	74,339	228,960	612
Accrued liabilities and other	40,423	200,041	240,464	480
Unearned revenue (Note 7)	99,376	-	99,376	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 9)	98,888	12,457	111,345	-
Current portion of long-term debt (Note 9)	-	625,000	625,000	2,381
Due in more than one year:				
Current portion of long-term debt - Funded by noncurrent assets (Note 9)	-	400,000	400,000	-
Net OPEB obligation (Note 12)	426,428	178,518	604,946	-
Net pension liability (Note 11)	4,239,165	2,826,112	7,065,277	-
Long-term debt (Note 9)	-	10,059,171	10,059,171	56,453
<b>Total liabilities</b>	<b>5,058,901</b>	<b>14,375,638</b>	<b>19,434,539</b>	<b>59,926</b>
<b>Net Position</b>				
Net investment in capital assets	2,834,360	18,272,655	21,107,015	-
Restricted for:				
Streets and highways	250,001	-	250,001	-
Lake improvement	5,227	-	5,227	-
Rubbish	73,330	-	73,330	-
Restricted for bond reserve	-	752,000	752,000	-
Unrestricted	(2,264,817)	1,024,853	(1,239,964)	78,305
<b>Total net position</b>	<b>\$ 898,101</b>	<b>\$ 20,049,508</b>	<b>\$ 20,947,609</b>	<b>\$ 78,305</b>

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

# Village of Holly, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 485,422	\$ 334,987	\$ 12,645	\$ -
Public safety:				
Police	1,593,149	53,579	2,055	-
Building inspections and related	40,530	72,344	-	-
Fire	338,165	-	-	-
Public works:				
Streets	580,252	-	445,356	-
Rubbish disposal	309,552	351,729	-	-
Other public works activities	388,239	84,902	-	5,751
Cemetery	7,957	23,550	-	-
Lake maintenance	5,600	-	-	-
Community and economic development	105,783	39,758	77,161	-
Recreation and culture	63,574	-	-	-
Total governmental activities	3,918,223	960,849	537,217	5,751
Business-type activities:				
Sewer Fund	2,035,332	2,316,591	-	23,261
Water Fund	1,304,927	1,725,046	-	4,880
Community Center	15,408	19,165	-	-
Total business-type activities	3,355,667	4,060,802	-	28,141
Total primary government	<u>\$ 7,273,890</u>	<u>\$ 5,021,651</u>	<u>\$ 537,217</u>	<u>\$ 33,892</u>
Component units	<u>\$ 72,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
<b>Change in Net Position</b>				
<b>Net Position - Beginning of year</b>				
<b>Net Position - End of year</b>				

## Statement of Activities Year Ended June 30, 2017

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (137,790)	\$ -	\$ (137,790)	\$ -
(1,537,515)	-	(1,537,515)	-
31,814	-	31,814	-
(338,165)	-	(338,165)	-
(134,896)	-	(134,896)	-
42,177	-	42,177	-
(297,586)	-	(297,586)	-
15,593	-	15,593	-
(5,600)	-	(5,600)	-
11,136	-	11,136	-
(63,574)	-	(63,574)	-
(2,414,406)	-	(2,414,406)	-
-	304,520	304,520	-
-	424,999	424,999	-
-	3,757	3,757	-
-	733,276	733,276	-
(2,414,406)	733,276	(1,681,130)	-
-	-	-	(72,368)
1,348,586	-	1,348,586	86,190
617,994	-	617,994	-
6,508	38,225	44,733	-
93,003	-	93,003	-
52,611	-	52,611	6,859
2,118,702	38,225	2,156,927	93,049
(295,704)	771,501	475,797	20,681
1,193,805	19,278,007	20,471,812	57,624
<b>\$ 898,101</b>	<b>\$ 20,049,508</b>	<b>\$ 20,947,609</b>	<b>\$ 78,305</b>

# Village of Holly, Michigan

## Governmental Funds Balance Sheet June 30, 2017

Assets	General Fund	Major Streets Fund	Nonmajor Funds	Total
	General Fund	Fund	Nonmajor Funds	Total
Cash and cash equivalents	\$ 1,591,926	\$ 372,253	\$ 175,737	\$ 2,139,916
Receivables:				
Property taxes receivable	82	-	-	82
Special assessments receivable	1,552	-	3,735	5,287
Receivables from sales to customers on account	58,382	-	-	58,382
Due from other governmental units	117,918	61,840	31,351	211,109
Due from other funds (Note 8)	45,501	-	22,054	67,555
Prepaid expenses and other assets	-	-	2,600	2,600
Land contract receivable (Note 7)	289,999	-	-	289,999
<b>Total assets</b>	<b>\$ 2,105,360</b>	<b>\$ 434,093</b>	<b>\$ 235,477</b>	<b>\$ 2,774,930</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 55,986	\$ 70,867	\$ 27,768	\$ 154,621
Due to other funds (Note 8)	22,054	-	45,501	67,555
Advances from other funds	102,723	-	-	102,723
Accrued liabilities and other	37,464	783	2,176	40,423
<b>Total liabilities</b>	<b>218,227</b>	<b>71,650</b>	<b>75,445</b>	<b>365,322</b>
<b>Deferred Inflows of Resources - Unavailable revenue</b>	<b>291,435</b>	<b>-</b>	<b>1,240</b>	<b>292,675</b>
<b>Fund Balances</b>				
Nonspendable	-	-	2,600	2,600
Restricted:				
Roads	-	250,001	-	250,001
Lake improvement	-	-	1,387	1,387
Solid waste	-	-	73,330	73,330
Committed - Cemetery care	144,225	-	-	144,225
Assigned:				
Tri party	34,779	-	-	34,779
Sidewalks	144,882	-	-	144,882
Roads	-	112,442	-	112,442
Mill pond	150,000	-	-	150,000
Capital improvements	252,687	-	-	252,687
Senior transportation	-	-	81,475	81,475
Unassigned	869,125	-	-	869,125
<b>Total fund balances</b>	<b>1,595,698</b>	<b>362,443</b>	<b>158,792</b>	<b>2,116,933</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,105,360</b>	<b>\$ 434,093</b>	<b>\$ 235,477</b>	<b>\$ 2,774,930</b>

# Village of Holly, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017

<b>Fund Balance Reported in Governmental Funds</b>	\$ 2,116,933
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	2,834,360
Deferred outflows of resources - Pension difference between projected and actual investment earnings as well as contributions made to the plan after the measurement date	517,990
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	2,676
Land contract receivables are expected to be collected over several years and are not available to pay for current year expenditures	289,999
Land contract sale recognized on the installment method, revenue is unearned	(99,376)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(98,888)
Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities	(426,428)
Net pension liability does not present a claim on current financial resources and is not reported as a fund liability	<u>(4,239,165)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 898,101</u></b>

# Village of Holly, Michigan

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances

### Year Ended June 30, 2017

	General Fund	Major Streets Fund	Nonmajor Funds	Total
<b>Revenue</b>				
Property taxes	\$ 1,348,586	\$ -	\$ -	\$ 1,348,586
Licenses and permits	100,617	-	-	100,617
Federal grants	27,475	1,000	50,686	79,161
State-shared revenue and grants	634,212	319,685	123,671	1,077,568
Charges for services	696,867	-	10,067	706,934
Fines and forfeitures	13,460	-	-	13,460
Investment income	4,841	1,667	-	6,508
Other revenue:				
Special assessments	553	-	356,927	357,480
Local donations	-	8,611	-	8,611
Other miscellaneous income	43,674	-	326	44,000
	<u>2,870,285</u>	<u>330,963</u>	<u>541,677</u>	<u>3,742,925</u>
Total revenue				
<b>Expenditures</b>				
Current:				
General government:				
Village council	9,223	-	-	9,223
Village manager	86,952	-	-	86,952
Clerk/Treasurer	161,777	-	-	161,777
Buildings and grounds	83,903	-	-	83,903
Attorney	23,873	-	-	23,873
Data processing	12,350	-	-	12,350
Other	89,503	-	-	89,503
Public safety:				
Police	1,103,063	-	-	1,103,063
Dispatch	161,195	-	-	161,195
Fire	280,801	-	-	280,801
Building inspections and related	39,313	-	-	39,313
Public works:				
Streets	-	463,305	146,725	610,030
Rubbish disposal	-	-	309,552	309,552
Other public works activities	373,829	-	-	373,829
Cemetery	24,109	-	-	24,109
Lake maintenance	-	-	5,600	5,600
Senior transportation	-	-	62,801	62,801
Community and economic development:				
Redevelopment and housing	400	-	-	400
Planning, zoning, and related	39,600	-	-	39,600
Recreation and culture	39,091	-	-	39,091
Capital outlay	215,997	-	-	215,997
	<u>2,744,979</u>	<u>463,305</u>	<u>524,678</u>	<u>3,732,962</u>
Total expenditures				
<b>Excess of Revenue Over (Under) Expenditures</b>	125,306	(132,342)	16,999	9,963
<b>Other Financing Sources (Uses)</b>				
Transfers in (Note 8)	-	-	22,054	22,054
Transfers out (Note 8)	(22,054)	-	-	(22,054)
	<u>103,252</u>	<u>(132,342)</u>	<u>39,053</u>	<u>9,963</u>
<b>Net Change in Fund Balances</b>				
<b>Fund Balances - Beginning of year</b>	1,492,446	494,785	119,739	2,106,970
<b>Fund Balances - End of year</b>	<u>\$ 1,595,698</u>	<u>\$ 362,443</u>	<u>\$ 158,792</u>	<u>\$ 2,116,933</u>

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

# Village of Holly, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 9,963
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	439,465
Depreciation expense	(365,345)
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	19,871
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(10,102)
Change in the liability for other postemployment benefits is recorded when earned in the statement of activities	(59,861)
Change in the net pension liability and related deferred inflows and outflows are recorded when incurred in the statement of activities	<u>(329,695)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (295,704)</u></b>

# Village of Holly, Michigan

## Proprietary Funds Statement of Net Position June 30, 2017

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 4)	\$ 962,631	\$ 2,174,716	\$ 4,796	\$ 3,142,143
Receivables	352,613	232,700	-	585,313
Inventory	30,434	-	-	30,434
Total current assets	1,345,678	2,407,416	4,796	3,757,890
Noncurrent assets:				
Restricted assets	405,000	347,000	-	752,000
Advances to other funds (Note 8)	-	102,723	-	102,723
Capital assets (Note 6):				
Assets not subject to depreciation	76,725	3,676	-	80,401
Assets subject to depreciation	19,193,340	9,903,692	-	29,097,032
Total noncurrent assets	19,675,065	10,357,091	-	30,032,156
Total assets	21,020,743	12,764,507	4,796	33,790,046
<b>Deferred Outflows of Resources</b>				
Bond refunding loss being amortized	128,613	161,165	-	289,778
Pension-related amounts (Note 11)	198,562	146,760	-	345,322
Total deferred outflows of resources	327,175	307,925	-	635,100
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	50,549	22,751	1,039	74,339
Accrued liabilities and other	129,290	70,751	-	200,041
Compensated absences	10,329	2,128	-	12,457
Current portion of long-term debt (Note 9)	625,000	-	-	625,000
Total current liabilities	815,168	95,630	1,039	911,837
Noncurrent liabilities:				
Net OPEB obligation (Note 12)	99,303	79,215	-	178,518
Net pension liability (Note 11)	1,625,008	1,201,104	-	2,826,112
Current portion of long-term debt - Funded by noncurrent assets (Note 9)	-	400,000	-	400,000
Long-term debt (Note 9)	6,282,125	3,777,046	-	10,059,171
Total noncurrent liabilities	8,006,436	5,457,365	-	13,463,801
Total liabilities	8,821,604	5,552,995	1,039	14,375,638
<b>Net Position</b>				
Net investment in capital assets	12,833,678	6,018,533	-	18,852,211
Restricted	405,000	347,000	-	752,000
Unrestricted	(712,364)	1,153,904	3,757	445,297
Total net position	<u>\$ 12,526,314</u>	<u>\$ 7,519,437</u>	<u>\$ 3,757</u>	<u>\$ 20,049,508</u>

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

# Village of Holly, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	Enterprise Funds			Total
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	
<b>Operating Revenue</b>				
Sale of water	\$ -	\$ 948,078	\$ -	\$ 948,078
Sewage disposal charges	1,287,844	-	-	1,287,844
Other sales to customers	52,360	33,000	-	85,360
Interest and penalty charges	42,192	30,180	-	72,372
Recoveries	5,521	5,379	-	10,900
Sales and rentals	-	-	19,165	19,165
Charges to other funds	-	9,256	-	9,256
Total operating revenue	1,387,917	1,025,893	19,165	2,432,975
<b>Operating Expenses</b>				
Water treatment and transmission	-	812,488	-	812,488
Wastewater treatment	846,224	-	-	846,224
Water collection system	254,886	-	-	254,886
Other operation and maintenance	-	-	15,408	15,408
Billing and administrative costs	60,181	60,174	-	120,355
Depreciation	675,109	300,889	-	975,998
Total operating expenses	1,836,400	1,173,551	15,408	3,025,359
<b>Operating (Loss) Income</b>	(448,483)	(147,658)	3,757	(592,384)
<b>Nonoperating Revenue (Expenses)</b>				
Investment income	3,497	34,728	-	38,225
Interest expense	(198,932)	(131,376)	-	(330,308)
Debt service charge	928,674	680,903	-	1,609,577
Cell tower leases	-	18,250	-	18,250
Total nonoperating revenue	733,239	602,505	-	1,335,744
<b>Income - Before contributions and transfers</b>	284,756	454,847	3,757	743,360
<b>Capital Contribution - Capital grants</b>	23,261	4,880	-	28,141
<b>Change in Net Position</b>	308,017	459,727	3,757	771,501
<b>Net Position - Beginning of year</b>	12,218,297	7,059,710	-	19,278,007
<b>Net Position - End of year</b>	<u>\$ 12,526,314</u>	<u>\$ 7,519,437</u>	<u>\$ 3,757</u>	<u>\$ 20,049,508</u>

# Village of Holly, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,334,285	\$ 1,028,723	\$ 19,165	\$ 2,382,173
(Payments) receipts from interfund services and reimbursements	-	(93,467)	4,556	(88,911)
Payments to suppliers	(399,451)	(287,537)	(2,626)	(689,614)
Payments to employees	(518,076)	(408,272)	(11,791)	(938,139)
Internal activity - Payments to other funds	(74,730)	(80,394)	(4,508)	(159,632)
Net cash provided by operating activities	342,028	159,053	4,796	505,877
<b>Cash Flows from Noncapital Financing Activities - Cell tower leases</b>	-	18,250	-	18,250
<b>Cash Flows from Capital and Related Financing Activities</b>				
Receipt of capital grants	23,261	4,880	-	28,141
Purchase of capital assets	(37,789)	(17,255)	-	(55,044)
Principal and interest paid on capital debt	(926,859)	(579,011)	-	(1,505,870)
Debt service charge	928,674	680,903	-	1,609,577
Net cash (used in) provided by capital and related financing activities	(12,713)	89,517	-	76,804
<b>Cash Flows from Investing Activities - Interest received on investment</b>	3,497	34,728	-	38,225
<b>Net Increase in Cash and Cash Equivalents</b>	332,812	301,548	4,796	639,156
<b>Cash and Cash Equivalents - Beginning of year</b>	1,034,819	2,220,168	-	3,254,987
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,367,631</b>	<b>\$ 2,521,716</b>	<b>\$ 4,796</b>	<b>\$ 3,894,143</b>
<b>Statement of Net Position Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 962,631	\$ 2,174,716	\$ 4,796	\$ 3,142,143
Restricted cash	405,000	347,000	-	752,000
<b>Total cash and cash equivalents</b>	<b>\$ 1,367,631</b>	<b>\$ 2,521,716</b>	<b>\$ 4,796</b>	<b>\$ 3,894,143</b>

# Village of Holly, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2017

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center	Total
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (448,483)	\$ (147,658)	\$ 3,757	\$ (592,384)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	675,109	300,889	-	975,998
Changes in assets and liabilities:				
Receivables	(53,632)	12,086	-	(41,546)
Due from other funds	-	(102,723)	4,556	(98,167)
Accounts payable	24,270	(11,592)	991	13,669
Due to other funds	-	-	(4,508)	(4,508)
Accrued and other liabilities	144,764	108,051	-	252,815
Net cash provided by operating activities	<u>\$ 342,028</u>	<u>\$ 159,053</u>	<u>\$ 4,796</u>	<u>\$ 505,877</u>

# Village of Holly, Michigan

## Fiduciary Funds Statement of Fiduciary Net Position June 30, 2017

	Retiree Health Care Fund (Employee Benefits Fund)	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ -	\$ 187,623
Investments:		
Certificates of deposit	87,928	-
Mutual funds	295,242	-
Total assets	383,170	<u>\$ 187,623</u>
<b>Liabilities</b>		
Accounts payable	75,750	\$ -
Refundable deposits, bonds, etc.	-	140,479
Other miscellaneous liabilities	-	47,144
Total liabilities	75,750	<u>\$ 187,623</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 307,420</u>	

# Village of Holly, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Position Retiree Health Care Fund (Employee Benefits Fund) Year Ended June 30, 2017

### Additions

Investment income - Net increase in fair value investments	\$ 7,978
Contributions:	
Employer contributions	15,000
Employee	14,583
	<hr/>
Total contributions	29,583
	<hr/>
Total additions	37,561

### Deductions

Benefit payments	37,119
Administrative expenses	1,846
	<hr/>
Total deductions	38,965

**Net Decrease in Net Position Held in Trust** (1,404)

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

**Net Position Held in Trust for Retiree Healthcare Benefits - End of year** \$ 307,420

# Village of Holly, Michigan

## Component Units Statement of Net Position June 30, 2017

	Downtown Development Authority	Economic Development Corporation	Total
<b>Assets</b>			
Cash and cash equivalents (Note 4)	\$ 75,438	\$ 65	\$ 75,503
Property tax receivable	190	-	190
Land held for resale	62,538	-	62,538
Total assets	138,166	65	138,231
<b>Liabilities</b>			
Accounts payable	612	-	612
Accrued liabilities and other	480	-	480
Due within one year	2,381	-	2,381
Due in more than one year	56,453	-	56,453
<b>Net Position</b>	<b>\$ 78,240</b>	<b>\$ 65</b>	<b>\$ 78,305</b>

# Village of Holly, Michigan

## Component Units Statement of Activities Year Ended June 30, 2017

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position		
		Downtown Development Authority	Economic Development Corporation	Total
Downtown Development Authority:				
Community and economic development	\$ 71,382	\$ (71,382)	\$ -	\$ (71,382)
Debt service	986	(986)	-	(986)
Total governmental activities	72,368	(72,368)	-	(72,368)
Economic Development Corporation	-	-	-	-
Total component units	<b><u>\$ 72,368</u></b>	(72,368)	-	(72,368)
General revenue:				
Property taxes		86,190	-	86,190
Other miscellaneous income		6,859	-	6,859
Total general revenue		93,049	-	93,049
<b>Change in Net Position</b>		20,681	-	20,681
<b>Net Position - Beginning of year</b>		57,559	65	57,624
<b>Net Position - End of year</b>		<b><u>\$ 78,240</u></b>	<b><u>\$ 65</u></b>	<b><u>\$ 78,305</u></b>

# Village of Holly, Michigan

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## Notes to Financial Statements June 30, 2017

### Note I - Summary of Significant Accounting Policies

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

#### **Reporting Entity**

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

#### **Discretely Presented Component Units:**

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

#### **Accounting and Reporting Principles**

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

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Report Presentation**

Governmental accounting principles require that financial reports include two different perspectives, the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue 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 and other items not properly included among program revenue are reported instead as general revenue.

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

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

#### **Fund Accounting**

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

### Note I - Summary of Significant Accounting Policies (Continued)

The various funds are aggregated into three broad fund types:

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

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

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

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

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

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

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

### **Note I - Summary of Significant Accounting Policies (Continued)**

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

#### **Basis of Accounting**

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

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

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

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

#### **Specific Balances and Transactions**

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

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2017, the Village reported deferred outflows of resources related to pensions for the net difference between projected and actual earnings on pension plan investments as well as for payments made to the plan after the measurement date, and for differences between projected and actual experience, and changes in assumptions related to economic and demographic factors for governmental activities and for business-type activities. See the table in Note 13 related to when amounts related to pensions will be recognized in pension expense. The Village also reported deferred outflows of \$128,613 in the Sewer Fund and \$161,165 in the Water Fund related to deferred charges on the refunding of revenue bonds.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue from delinquent property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Village has deferred inflows of resources related to delinquent property taxes and special assessments in the governmental funds for \$2,676 and \$289,999, respectively.

#### **Net Position Flow Assumption**

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

### Note I - Summary of Significant Accounting Policies (Continued)

#### Fund Balance Flow Assumption

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

#### Fund Balance Policies

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

- Nonspendable: Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- Restricted: Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- Committed: Amounts that have been formally set aside by the Village Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Village Council.
- Assigned: Intent to spend resources on specific purposes expressed by the Village Council
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Property Tax Revenue**

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

The Village's 2016 tax is levied and collectible on December 1, 2016 and is recognized as revenue in the year ended June 30, 2017 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2016 taxable valuation of the Village totaled \$101.4 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 13.2456 mills for operating purposes. This resulted in \$1,348,586 for operations. These amounts are recognized in the respective General Fund financial statements as tax revenue.

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

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

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

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

**Proprietary Funds Operating Classification** - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Funds and internal service funds is charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

### **Note 2 - Change in Accounting**

During the year, the Village adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. As a result, the notes to the financial statements now include enhanced disclosures about the OPEB plan valuation.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 3 - Stewardship, Compliance, and Accountability

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

Shortfall at July 1, 2016	\$ (220,490)
Current year permit revenue	71,394
Related expenses - Direct costs	<u>39,313</u>
Current year surplus	<u>32,081</u>
Cumulative shortfall at June 30, 2017	<u>\$ (188,409)</u>

### Note 4 - Deposits and Investments

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

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

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

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

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

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village and its component units had \$1,777,056 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Investment	Fair Value	Weighted Average Maturity
Pooled investments #77866	\$ 2,316,587	484 days
Pooled investments #77865	1,476,833	484 days

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

Investment	Fair Value	Rating	Rating Organization
Pooled investments #77866	\$ 2,316,587	N/A	N/A
Pooled investments #77865	1,476,833	N/A	N/A

### Note 5 - Fair Value Measurement

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

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

The Village has the following recurring fair value measurements as of June 30, 2017:

Governmental activities:

- Investment pools of \$3,793,420 are valued using a matrix pricing model (Level 2 inputs).

Fiduciary funds:

- Mutual funds of \$295,242 are valued at active quoted prices (Level 1 inputs).

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

The fair value of the Oakland County Investment Pool at June 30, 2017 was determined primarily based on Level 2 inputs. The Village estimates the fair value of these investments based on the underlying investments held by the investment pool using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals as well as the quoted price of the underlying investments.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 6 - Capital Assets

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

<b>Governmental Activities</b>	Balance July 1, 2016	Reclassifications	Additions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 148,500	\$ -	\$ -	\$ 148,500
Construction in progress	30,385	(30,385)	68,670	68,670
Subtotal	178,885	(30,385)	68,670	217,170
Capital assets being depreciated:				
Roads and sidewalks	9,690,999	-	197,661	9,888,660
Buildings and improvements	1,559,965	30,385	2,583	1,592,933
Office furnishings and equipment	740,645	-	44,575	785,220
Vehicles	1,461,882	-	125,976	1,587,858
Subtotal	13,453,491	30,385	370,795	13,854,671
Accumulated depreciation:				
Roads and sidewalks	8,166,008	-	247,618	8,413,626
Buildings and improvements	831,649	-	44,211	875,860
Office furnishings and equipment	653,105	-	14,083	667,188
Vehicles	1,221,374	-	59,433	1,280,807
Subtotal	10,872,136	-	365,345	11,237,481
Net capital assets being depreciated	2,581,355	30,385	5,450	2,617,190
Net capital assets	\$ 2,760,240	\$ -	\$ 74,120	\$ 2,834,360

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 6 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance July 1, 2016	Reclassifications	Additions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	74,021	(74,020)	30,400	30,401
Subtotal	124,021	(74,020)	30,400	80,401
Capital assets being depreciated:				
Water and sewer distribution system	46,513,730	-	-	46,513,730
Equipment and vehicles	1,365,725	-	-	1,365,725
Buildings and improvements	-	74,020	24,645	98,665
Subtotal	47,879,455	74,020	24,645	47,978,120
Accumulated depreciation:				
Water and sewer distribution system	17,128,053	-	915,357	18,043,410
Equipment and vehicles	777,037	-	59,009	836,046
Buildings and improvements	-	-	1,632	1,632
Subtotal	17,905,090	-	975,998	18,881,088
Net capital assets being depreciated	29,974,365	74,020	(951,353)	29,097,032
Net capital assets	<u>\$ 30,098,386</u>	<u>\$ -</u>	<u>\$ (920,953)</u>	<u>\$ 29,177,433</u>

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

Governmental activities:	
General government	\$ 31,262
Public safety	78,382
Public works	253,790
Recreation and culture	1,911
Total governmental activities	<u>\$ 365,345</u>
Business-type activities:	
Water	\$ 300,889
Sewer	675,109
Total business-type activities	<u>\$ 975,998</u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 6 - Capital Assets (Continued)

**Construction Commitments** - The Village had the following significant construction commitments at year end:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Road paving	\$ 68,670	\$ 195,193
Baird Street Water Station/Pump	<u>30,401</u>	<u>132,754</u>
Total	<u>\$ 99,071</u>	<u>\$ 327,947</u>

### Note 7 - Land Contract Sale and Receivable

In 2014, the Village entered into an agreement to sell the former Village Offices on land contract. The sale of the land, building, and building improvements occurred in August 2014 at a price of \$411,000; the net book value of the assets sold was \$190,623. The sales price is to be paid over seven years and the final payment is due in September 2020, due to an extension of the contract that was granted in the current year. Title of the property transferred to the buyer on the date of the sale.

At June 30, 2017, there was a receivable of \$289,999 remaining to be paid by the buyer. Revenue of \$24,168 was recognized in the current year related to the sale. The unrecognized gain of \$99,376 is reported as unearned revenue in the government-wide financial statements, and a deferred inflow of resources of \$289,999 is reported in the governmental fund statements.

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

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	<u>\$ 45,501</u>
Nonmajor governmental funds - Local Streets	General Fund	<u>\$ 22,054</u>
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Advances from/to Other Funds</b>		
Water Fund	General Fund	<u>\$ 102,723</u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

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

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

The advance from the Water Fund to the General Fund will be repaid over three years and the General Fund will be paying back the money to the Water Fund at an interest rate of 3.75 percent.

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

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ <u>22,054</u>

The transfers from the General Fund to the nonmajor governmental funds (Local Street Fund) represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations.

### Note 9 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties 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 re-assessment of the Village) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 9 - Long-term Debt (Continued)

#### Business-type Activities:

##### General obligations:

2014 Refunding General Obligation Limited Tax Bond, with interest from 2 percent to 4.375 percent, maturing in 2025	\$ 3,095,000
Bond refunding premium	469,171
Total general obligations	<u>3,564,171</u>

##### Revenue bonds:

1999 Water Supply Revenue Bonds Act 94, with interest of 2.5 percent, maturing in 2019	265,000
2014 Refunding Wastewater System Revenue Bond, with interest from 2 percent to 4 percent, maturing in 2025	3,470,000
2014 Refunding Water System Revenue Bond, with interest from 2 percent to 3.75 percent, maturing in 2027	<u>3,785,000</u>
Subtotal	<u>7,520,000</u>
Total business-type activity debt	<u>\$ 11,084,171</u>

#### Component Units Activities:

General obligations - Loan 610 Saginaw Street	<u>\$ 58,834</u>
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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Accumulated compensated absences	\$ 118,759	\$ 98,888	\$ 118,759	\$ 98,888	\$ 98,888
<b>Business-type Activities</b>					
General obligation bonds	\$ 3,395,000	\$ -	\$ 300,000	\$ 3,095,000	\$ 275,000
Revenue bonds	8,285,000	-	765,000	7,520,000	750,000
Unamortized bond premium on refunding series 2014 bond	119,115	-	14,116	104,999	-
Unamortized bond premium on refunding series 2014 bond	<u>403,666</u>	<u>-</u>	<u>39,494</u>	<u>364,172</u>	<u>-</u>
Total	12,202,781	-	1,118,610	11,084,171	1,025,000
Accumulated compensated absences	<u>11,060</u>	<u>12,457</u>	<u>11,060</u>	<u>12,457</u>	<u>12,457</u>
Total business-type activities	<u>\$ 12,213,841</u>	<u>\$ 12,457</u>	<u>\$ 1,129,670</u>	<u>\$ 11,096,628</u>	<u>\$ 1,037,457</u>
<b>Installment Purchase</b>					
Loan - 610 Saginaw	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 1,166</u>	<u>\$ 58,834</u>	<u>\$ 2,381</u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 9 - Long-term Debt (Continued)

Total interest expense for the year was approximately \$331,000 for business-type activities. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 1,025,000	\$ 354,878	\$ 1,379,878	\$ 2,381	\$ 1,637	\$ 4,018
2019	1,090,000	325,728	1,415,728	2,449	1,569	4,018
2020	1,175,000	292,278	1,467,278	2,518	1,500	4,018
2021	1,075,000	258,053	1,333,053	2,590	1,428	4,018
2022	1,110,000	221,140	1,331,140	48,896	691	49,587
2023-2027	5,140,000	464,758	5,604,758	-	-	-
Total	<u>\$ 10,615,000</u>	<u>\$ 1,916,835</u>	<u>\$ 12,531,835</u>	<u>\$ 58,834</u>	<u>\$ 6,825</u>	<u>\$ 65,659</u>

**Revenue Pledged** - The Village has pledged substantially all revenue of the Water Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water plant. The bonds are payable solely from the net revenue of the water system. The remaining principal and interest to be paid on the revenue bonds total \$4,861,061. During the current year, net revenue of the water system was \$284,607 compared to the annual debt requirements of \$404,825.

The Village has pledged substantially all revenue of the Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the wastewater plant. The bonds are payable solely from the net revenue of the sewer system. The remaining principal and interest to be paid on the revenue bonds total \$4,401,374. During the current year, net revenue of the sewer system was \$425,558 compared to the annual debt requirements of \$430,414.

### Note 10 - 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 11 - Agent Defined Benefit Pension Plan Description

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

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

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

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

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

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

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 11 - Agent Defined Benefit Pension Plan Description (Continued)

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** - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>22</u>
Total employees covered by MERS	<u><u>64</u></u>

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

For the year ended June 30, 2017, the Village's average contribution rate was 20.79 percent, 46.19 percent, and 36.30 percent of annual pay for department heads, DPW/clerical employees, and police officers and command employees, respectively.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 11 - Agent Defined Benefit Pension Plan Description (Continued)

#### Net Pension Liability

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2015</b>	\$ 13,604,011	\$ 6,572,312	\$ 7,031,699
Service cost	149,549	-	149,549
Interest	1,058,227	-	1,058,227
Differences between expected and actual experience	14,767	-	14,767
Contributions - Employer	-	476,580	(476,580)
Net investment income	-	726,751	(726,751)
Benefit payments, including refunds	902,403	(902,403)	-
Administrative expenses	-	(14,366)	14,366
Net changes	320,140	286,562	33,578
<b>Balance at December 31, 2016</b>	<u>\$ 13,924,151</u>	<u>\$ 6,858,874</u>	<u>\$ 7,065,277</u>

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

For the year ended June 30, 2017, the Village recognized pension expense of \$1,009,133. At June 30, 2017, the Village reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 20,160
Changes in assumptions	342,908
Net difference between projected and actual earnings on pension plan investments	275,707
Employer contributions to the plan subsequent to the measurement date	224,537
Total	<u>\$ 863,312</u>

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 11 - Agent Defined Benefit Pension Plan Description (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$224,537), which will impact the net pension liability in fiscal year 2017 rather than pension expense.

<u>Years Ending June 30</u>	<u>Amount</u>
2018	\$ 295,168
2019	295,168
2020	89,642
2021	(41,203)

**Actuarial Assumptions** - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %	
Salary increases	3.8 %	
Investment rate of return	8.00 %	Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Mortality Tables of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table is used with a 10-year set-forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study for periods from 2009 - 2013.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

### Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 11 - Agent Defined Benefit Pension Plan Description (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, 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	56 %	8.7 %
Global fixed income	19	3.8
Real assets	14	9.7
Diversifying strategies	13	7.5

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Village, calculated using the discount rate of 8 percent, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the Village	\$ 8,640,304	\$ 7,065,277	\$ 5,738,330

### **Note 11 - Agent Defined Benefit Pension Plan Description (Continued)**

**Pension Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension, and pension expense, information about the plan's fiduciary net position and 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.

### **Note 12 - Other Postemployment Benefits**

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

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

**Funding Policy** - The collective bargaining agreements require a contribution of 35 percent per month of the premium from all retired employees or their spouses currently participating in the plan. In the current year, the Village contributed \$15,000 into a prefunded retiree healthcare fund, which is reported in these financial statements as another employee benefit trust fund type.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 12 - Other Postemployment Benefits (Continued)

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

Annual required contribution (recommended)	\$ 100,924
Interest on the prior year's net OPEB obligation	23,152
Less adjustment to the annual required contribution	<u>(28,611)</u>
Annual OPEB cost	95,465
Amounts contributed:	
Contributions made	(5,000)
Advance funding	<u>-</u>
Increase in net OPEB obligation	90,465
OPEB obligation - Beginning of year	<u>514,481</u>
OPEB obligation - End of year	<u><u>\$ 604,946</u></u>

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Alternative Measurement Method Date	Annual Required Contribution	Annual OPEB Contributions	Net OPEB Obligation
6/30/15	6/30/15	\$ 67,721	\$ -	\$ 427,391
6/30/16	6/30/16	100,924	10,000	514,631
6/30/17	6/30/16	100,924	5,000	604,946

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

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 12 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Alternative Measurement Method Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/14	\$ 498,435	\$ 1,021,818	\$ 523,383	48.8 %	\$ 1,544,406	33.9 %
6/30/15	355,449	613,834	258,385	57.9	1,308,522	19.7
6/30/16	378,000	902,088	524,088	41.9	1,308,704	40.0

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

The following simplifying assumptions were made:

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

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

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

**Healthcare Cost Trend Rate** - The expected rate increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 5.6 percent initially to an ultimate rate of 5.9 percent after six years was used.

**Health Insurance Premiums** - 2016 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 12 - Other Postemployment Benefits (Continued)

Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 4.5 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016 (the date of the most recent valuation) was 30 years.

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

### Note 13 - OPEB Plan

**Plan Administration** - The Village Council administers the Village of Holly Retiree Medical Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for full-time Department of Public Works (DPW)/clerical, department heads, and police/dispatch union employees of the Village.

Management of the Plan is vested with the investment committee, which consists of three members - the village clerk-treasurer, village manager, and village president.

**Plan Membership** - At June 30, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	2
Active plan members	<u>23</u>
Total	<u><u>25</u></u>

**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.

**Contributions** - The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2017, the Village's average contribution rate was \$15,000. Plan members are not required to contribute to the Plan.

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 13 - OPEB Plan (Continued)

#### OPEB Plan Investments

**Investment Policy** - The Plan's policy in regard to the allocation of invested assets is established and may be amended by the investment committee by a majority vote of its members. It is the policy of the investment committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The 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 board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation (%)
U.S. cash	0.30 %
U.S. core fixed income	84.50
U.S. equity market	15.20

#### Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on plan investments, net of investment expense, was 1.22 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### Net OPEB Liability

The Village reports OPEB expense based on funding requirements, as directed by GASB Statement No. 45. Beginning next year, the Village will adopt GASB Statement No. 75, which will require the measurement of OPEB expense as it is earned, rather than as it is funded. The net OPEB liability of the Village has been measured as of June 30, 2017 and is composed of the following:

The components of the net OPEB liability at June 30, 2017 were as follows:

Total OPEB liability	\$ 711,834
Plan fiduciary net position	<u>(367,627)</u>
Net OPEB liability	<u>\$ 344,207</u>
Plan fiduciary net position as a percentage of the total OPEB liability	(52)%

### Note 13 - OPEB Plan (Continued)

**Actuarial Assumptions** - The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2017, 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 62, or at the first subsequent year in which the member would qualify for benefits.

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

*Mortality* - Mortality rates were based on the RP 2000 Mortality Tables for Males and Females projected 10 years.

*Turnover* - Nongroup-specific age-based turnover data from GASB Statement 74 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* - The expected rate of increase in healthcare insurance premiums was based on Getzen. A rate of 8.0, 8.0, 3.5, and 3.0 percent initially for health, pharmacy, dental, and vision, respectively, reduced to an ultimate rate of 4.7, 4.7, 3.0, and 3.0 percent, respectively, after 10 years, was used.

*Health insurance premiums* - 2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The expected long-term inflation assumption of 2.3 percent.

*Payroll growth rate* - The expected long-term payroll growth rate was assumed to equal the rate of inflation plus .2 percent.

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

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 13 - OPEB Plan (Continued)

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 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. Best estimates of geometric real rates of return as of June 30, 2017 for each major asset class included in the target asset allocation are summarized in the following table.

Asset Class	Long-term Expected Real Rate of Return
U.S. cash	0.35 %
U.S. core fixed income	2.04
U.S. equity markets	3.57

**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 employer contributions will be made at rates equal to the actuarially determined contribution rates and assumes there are current level of inactive members cost sharing at 50 percent.

#### Projected Cash Flows

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 plan members. 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.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the net OPEB liability, calculated using the discount rate of 4.75 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.75 percent) or 1 percentage point higher (5.75 percent) than the current rate:

	1 Percent Decrease (3.75%)	Current Discount Rate (4.75%)	1 Percent Increase (5.75%)
Net OPEB liability	\$ 407,919	\$ 344,207	\$ 283,300

# Village of Holly, Michigan

## Notes to Financial Statements June 30, 2017

### Note 13 - OPEB Plan (Continued)

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 8.0 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (7.0 percent, decreasing to 3.7 percent) or 1 percentage point higher (9.0 percent, decreasing to 5.7 percent) than the current rate:

	1 Percent Decrease (7.0% Decreasing to 3.7%)	Current Healthcare Cost Trend Rate (8.0% Decreasing to 4.7%)	1 Percent Increase (9.0% Decreasing to 5.7%)
Net OPEB liability	\$ 264,887	\$ 344,207	\$ 436,456

### Note 14 - Commitments

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

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

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

### Note 15 - Upcoming Accounting Pronouncements

In June 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Village to recognize on the face of the financial statements its net OPEB liability related to its participation in the Village of Holly Employees' OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). 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, 2018.

### Note 15 - Upcoming Accounting Pronouncements (Continued)

The GASB issued GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This standard clarifies items identified with the other recent pension standards: (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this statement are effective for the Village's financial statements for the year ending June 30, 2018.

The GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This standard defines an asset retirement obligation (ARO) as "a legally enforceable liability associated with the retirement of a tangible capital asset." Examples include the removal of a sewage treatment plant or the removal of wind turbines. The GASB recognizes that specific guidance did not exist for these types of AROs as there did for the closure and post-closure care costs for landfills. This statement provides guidance for measuring and recording other AROs and is effective for the Village's financial statements for the year ending June 30, 2020.

The GASB issued GASB Statement No. 84, *Fiduciary Activities*. This standard improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The provisions of this statement are effective for the Village's financial statements for the year ending June 30, 2020.

## **Required Supplemental Information**

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# Village of Holly, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,327,157	\$ 1,365,237	\$ 1,348,586	\$ (16,651)
Licenses and permits	76,350	77,588	100,617	23,029
Federal grants	10,000	15,275	27,475	12,200
State-shared revenue and grants	589,035	713,418	634,212	(79,206)
Charges for services	532,068	631,421	696,867	65,446
Fines and forfeitures	16,000	16,000	13,460	(2,540)
Investment income	4,000	4,000	4,841	841
Other revenue - Other miscellaneous income	17,500	35,675	43,674	7,999
Total revenue	2,572,110	2,858,614	2,869,732	11,118
<b>Expenditures - Current</b>				
General government:				
Village council	9,098	9,907	9,223	684
Village manager	74,790	85,809	86,952	(1,143)
Clerk/Treasurer	144,899	163,492	161,777	1,715
Buildings and grounds	129,518	103,339	83,903	19,436
Attorney	25,000	28,771	23,873	4,898
Data processing	16,000	16,000	12,350	3,650
Other	119,534	103,036	89,503	13,533
Total general government	518,839	510,354	467,581	42,773
Public safety:				
Police	1,126,308	1,158,875	1,103,063	55,812
Dispatch	158,532	158,532	161,195	(2,663)
Fire	303,879	341,429	280,801	60,628
Building inspections and related	48,703	49,354	39,313	10,041
Total public safety	1,637,422	1,708,190	1,584,372	123,818
Public works:				
Other public works activities	268,897	382,449	373,829	8,620
Cemetery	31,581	34,610	24,109	10,501
Total public works	300,478	417,059	397,938	19,121
Community and economic development -				
Planning, zoning, and related	18,500	34,463	39,600	(5,137)
Recreation and culture	30,413	38,602	39,091	(489)
Capital outlay	130,519	205,552	215,997	(10,445)
Total expenditures	2,636,171	2,914,220	2,744,579	169,641
<b>Other Financing Sources - Transfers out</b>	(10,000)	(10,000)	(22,054)	12,054
<b>Net Change in Fund Balance</b>	(74,061)	(65,606)	103,099	168,706
<b>Fund Balance - Beginning of year</b>	1,203,492	1,203,492	1,203,492	-
<b>Fund Balance - End of year</b>	<u>\$ 1,129,431</u>	<u>\$ 1,137,886</u>	<u>\$ 1,306,591</u>	<u>\$ 168,705</u>

# Village of Holly, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major Streets Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Federal grants	\$ 8,000	\$ 8,000	\$ 1,000	\$ (7,000)
State-shared revenue and grants	320,441	320,441	319,685	(756)
Investment income	1,000	1,365	1,667	302
Other revenue - Local donations	-	8,611	8,611	-
Total revenue	<u>329,441</u>	<u>338,417</u>	<u>330,963</u>	<u>(7,454)</u>
<b>Expenditures - Current</b>				
Public works:				
Street construction	261,457	302,687	344,238	(41,551)
Winter maintenance	69,609	34,912	35,128	(216)
Traffic services	28,105	39,400	30,758	8,642
Administration	65,949	50,949	38,155	12,794
Tree maintenance	14,402	18,775	15,026	3,749
Total expenditures	<u>439,522</u>	<u>446,723</u>	<u>463,305</u>	<u>(16,582)</u>
<b>Net Change in Fund Balance</b>	(110,081)	(108,306)	(132,342)	(24,036)
<b>Fund Balance - Beginning of year</b>	<u>494,785</u>	<u>494,785</u>	<u>494,785</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 384,704</u></u>	<u><u>\$ 386,479</u></u>	<u><u>\$ 362,443</u></u>	<u><u>\$ (24,036)</u></u>

# Village of Holly, Michigan

## Note to Required Supplemental Information Year Ended June 30, 2017

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

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

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Transfers Out</u>	<u>Total Change in Fund Balance</u>	<u>Fund Balance</u>
General Fund:					
Amounts per operating statement	\$ 2,870,285	\$ 2,744,979	\$ (22,054)	\$ 103,252	\$ 1,595,698
Municipal Street Fund budgeted separately from the General Fund	(553)	-	-	(553)	(144,882)
Cemetery Endowment Trust Fund budgeted separately from the General Fund	-	(400)	-	400	(144,225)
Amounts per budget statement	<u>\$ 2,869,732</u>	<u>\$ 2,744,579</u>	<u>\$ (22,054)</u>	<u>\$ 103,099</u>	<u>\$ 1,306,591</u>

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

	<u>Budget</u>	<u>Actual</u>
Major Streets Fund - Expenditures	<u>\$ 446,723</u>	<u>\$ 463,305</u>

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

# Village of Holly, Michigan

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

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 149,549	\$ 146,181	\$ 158,199
Interest	1,058,227	1,009,586	984,990
Differences between expected and actual experience	14,767	20,630	-
Changes in assumptions	-	680,433	-
Benefit payments, including refunds	(902,403)	(834,266)	(843,831)
<b>Net Change in Total Pension Liability</b>	320,140	1,022,564	299,358
<b>Total Pension Liability - Beginning of year</b>	13,604,011	12,581,447	12,282,089
<b>Total Pension Liability - End of year</b>	<b>\$ 13,924,151</b>	<b>\$ 13,604,011</b>	<b>\$ 12,581,447</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 476,580	\$ 546,242	\$ 580,401
Net investment income (loss)	726,751	(102,696)	424,586
Administrative expenses	(14,366)	(15,059)	(15,553)
Benefit payments, including refunds	(902,403)	(834,266)	(843,831)
<b>Net Change in Plan Fiduciary Net Position</b>	286,562	(405,779)	145,603
<b>Plan Fiduciary Net Position - Beginning of year</b>	6,572,312	6,978,091	6,832,488
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 6,858,874</b>	<b>\$ 6,572,312</b>	<b>\$ 6,978,091</b>
<b>Village's Net Pension Liability - Ending</b>	<b>\$ 7,065,277</b>	<b>\$ 7,031,699</b>	<b>\$ 5,603,356</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	49.26 %	48.31 %	55.46 %
<b>Covered Employee Payroll</b>	\$ 1,233,542	\$ 1,178,050	\$ 1,322,030
<b>Village's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	572.8 %	596.9 %	423.8 %



# Village of Holly, Michigan

## Required Supplemental Information OPEB Plan Schedule of Changes in the Village's Net OPEB Liability and Related Ratios Last Ten Fiscal Years (Schedule is built prospectively upon implementation of GASB 74)

	2017
<b>Total OPEB Liability</b>	
Service cost	\$ 29,037
Interest	32,519
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(15,736)
Benefit payments, including refunds	(54,555)
<b>Net Change in Total OPEB Liability</b>	(8,735)
<b>Total OPEB Liability - Beginning of year</b>	720,569
<b>Total OPEB Liability - End of year</b>	<b>\$ 711,834</b>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 54,555
Contributions - Active and inactive plan members not yet receiving benefits	-
Net investment income	4,421
Administrative expenses	-
Benefit payments, including refunds	(54,555)
Other	-
<b>Net Change in Plan Fiduciary Net Position</b>	4,421
<b>Plan Fiduciary Net Position - Beginning of year</b>	363,206
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 367,627</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 344,207</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	51.65 %
<b>Covered Employee Payroll</b>	\$ 1,257,492
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	27.4 %

# Village of Holly, Michigan

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

	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 100,924	\$ 100,924	\$ 67,721	\$ 126,477	\$ 127,110	\$ 157,850	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	5,000	-	-	-	-	-	-	38,359
<b>Contribution Deficiency (Excess)</b>	<b>\$ 95,924</b>	<b>\$ 100,924</b>	<b>\$ 67,721</b>	<b>\$ 126,477</b>	<b>\$ 127,110</b>	<b>\$ 157,850</b>	<b>\$ -</b>	<b>\$ (38,359)</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,257,492</b>	<b>\$ 1,308,704</b>	<b>\$ 1,308,522</b>	<b>\$ 1,544,406</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	<b>0.4 %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>	<b>- %</b>

### Notes to Schedule of Village Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation Date	Actuarially determined contribution rates are calculated as of 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 cost
Inflation	2.30 percent
Healthcare cost trend rates	8.00 percent initially reduced to an ultimate rate of 4.70 percent
Salary increases	2.50 percent, including inflation
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	RP-2000 for males and females projected 10 years
Other information	None

# Village of Holly, Michigan

## Required Supplemental Information OPEB System Schedule Year Ended June 30, 2017

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/16	\$ 378,000	\$ 902,088	\$ 524,088	41.9 %	\$ 1,308,704	40.0 %
6/30/15	355,449	613,834	258,385	57.9	1,308,522	19.7
6/30/14	498,435	1,021,818	523,383	48.8	1,554,403	33.7
6/30/13	441,561	946,750	505,189	46.6	-	-
6/30/12	535,592	1,113,409	577,817	48.1	-	-
12/31/07	582,694	478,775	(103,919)	121.7	-	-

# Village of Holly, Michigan

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## Required Supplemental Information OPEB Plan Schedule of Investment Returns Last Ten Fiscal Years

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	1.2 %

## **Other Supplemental Information**

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# Village of Holly, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Local Streets Fund	Lake Improvement Fund	Solid Waste Fund	Holly Area Transportation Fund	
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 99,170	\$ 76,567	\$ 175,737
Receivables:					
Special assessments receivable	-	3,676	59	-	3,735
Due from other governmental units	23,923	-	-	7,428	31,351
Due from other funds	22,054	-	-	-	22,054
Prepaid expenses and other assets	-	2,600	-	-	2,600
<b>Total assets</b>	<b>\$ 45,977</b>	<b>\$ 6,276</b>	<b>\$ 99,229</b>	<b>\$ 83,995</b>	<b>\$ 235,477</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 1,049	\$ 25,899	\$ 820	\$ 27,768
Due to other funds	45,501	-	-	-	45,501
Accrued liabilities and other	476	-	-	1,700	2,176
<b>Total liabilities</b>	<b>45,977</b>	<b>1,049</b>	<b>25,899</b>	<b>2,520</b>	<b>75,445</b>
<b>Deferred Inflows of Resources - Unavailable revenue</b>	<b>-</b>	<b>1,240</b>	<b>-</b>	<b>-</b>	<b>1,240</b>
<b>Fund Balances</b>					
Nonspendable	-	2,600	-	-	2,600
Restricted:					
Lake improvement	-	1,387	-	-	1,387
Solid waste	-	-	73,330	-	73,330
Assigned - Senior transportation	-	-	-	81,475	81,475
<b>Total fund balances</b>	<b>-</b>	<b>3,987</b>	<b>73,330</b>	<b>81,475</b>	<b>158,792</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 45,977</b>	<b>\$ 6,276</b>	<b>\$ 99,229</b>	<b>\$ 83,995</b>	<b>\$ 235,477</b>

# Village of Holly, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2017

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Local Streets Fund	Lake Improvement Fund	Solid Waste Fund	Holly Area Transportation Fund	
<b>Revenue</b>					
Federal grants	\$ 1,000	\$ -	\$ -	\$ 49,686	\$ 50,686
State-shared revenue and grants	123,671	-	-	-	123,671
Charges for services	-	-	-	10,067	10,067
Other revenue	-	5,198	351,729	326	357,253
Total revenue	<u>124,671</u>	<u>5,198</u>	<u>351,729</u>	<u>60,079</u>	<u>541,677</u>
<b>Expenditures - Current</b>					
Public works	146,725	5,600	309,552	-	461,877
Senior transportation	-	-	-	62,801	62,801
Total expenditures	<u>146,725</u>	<u>5,600</u>	<u>309,552</u>	<u>62,801</u>	<u>524,678</u>
<b>Excess of Revenue (Under) Over Expenditures</b>	(22,054)	(402)	42,177	(2,722)	16,999
<b>Other Financing Sources - Transfers in</b>	<u>22,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,054</u>
<b>Net Change in Fund Balances</b>	-	(402)	42,177	(2,722)	39,053
<b>Fund Balances - Beginning of year</b>	<u>-</u>	<u>4,389</u>	<u>31,153</u>	<u>84,197</u>	<u>119,739</u>
<b>Fund Balances - End of year</b>	<u>\$ -</u>	<u>\$ 3,987</u>	<u>\$ 73,330</u>	<u>\$ 81,475</u>	<u>\$ 158,792</u>