

NEW ISSUE
BOOK-ENTRY-ONLY

RATING: S & P Global Ratings "A+"
(See "RATING INFORMATION" herein)

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, assuming compliance with certain covenants by the Village, the interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. See "TAX MATTERS" and "FORM OF APPROVING OPINION" herein for a description of certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), which may affect the tax treatment of interest on the Bonds for certain Bondholders.

The Bonds have been designated as "qualified tax-exempt obligations" for purposes of deduction of interest expense by financial institutions.

\$1,745,000
VILLAGE OF HOLLY
COUNTY OF OAKLAND, STATE OF MICHIGAN
2021 CAPITAL IMPROVEMENT BONDS
(LIMITED TAX GENERAL OBLIGATION)

OFFICIAL STATEMENT

The 2021 Capital Improvement Bonds (Limited Tax General Obligation) (the "Bonds") are being issued by the Village of Holly, Oakland County, Michigan (the "Village") pursuant to the provisions of Act 34, Public Acts of Michigan, 2001, as amended, and a resolution adopted by the Village Council on April 13, 2021, for the purpose of paying all or part of the cost to acquire, construct, furnish and equip various capital improvements, including water main improvements, road and intersection improvements and ADA compliance improvements, together with all related site improvements, appurtenances and attachments (the "Project").

The Bonds will be limited tax general obligations of the Village payable from the collections of ad valorem taxes the Village is authorized to levy on all taxable property in the Village or from any other funds of the Village legally available therefor. The full faith and credit of the Village has been pledged for the prompt payment of the principal of and interest on the Bonds as the same shall become due. Each year the Village is obligated to include in its budget as a first budget obligation an amount sufficient to pay such principal and interest as the same shall become due. The ability of the Village to levy taxes to raise funds to pay such amounts SHALL BE SUBJECT TO APPLICABLE CONSTITUTIONAL, STATUTORY AND CHARTER TAX LIMITATIONS.

The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, as described herein. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds. It is expected that the Bonds will be available for delivery through DTC.

Interest on the Bonds will be payable semi-annually on the first day of April and October of each year commencing October 1, 2021. Principal and interest will be paid by the Village to U.S. Bank National Association, Detroit, Michigan, the paying agent for the Bonds, or its successor, which will in turn remit such principal and interest to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. The Bonds may be transferred in the manner described in the Bonds and as referenced in certain proceedings of the Village referred to therein.

The record date of the Bonds will be the fifteenth day of the month preceding each interest payment date.

Certain of the Bonds are subject to redemption prior to maturity. See "REDEMPTION PROVISIONS" herein.

MATURITY SCHEDULE

Dated: June 15, 2021

Principal Due: October 1 of each year as shown below

Serial Bonds										Term Bonds					
CUSIP ⁽¹⁾	Year	Amount	Interest	Reoffering	CUSIP ⁽¹⁾	Year	Amount	Interest	Reoffering	CUSIP ⁽¹⁾	Year	Amount	Interest	Reoffering	
			Rate	Rate				Rate	Rate				Rate	Rate	
435848CH7	2022	\$65,000	3.000%	0.300%	435848CM6	2026	75,000	3.000%	0.800%	435848CT1	2032	\$255,000	2.000%	1.600% *	
435848CJ3	2023	70,000	3.000%	0.400%	435848CN4	2027	75,000	3.000%	1.000%	435848CW4	2035	275,000	2.000%	1.900% *	
435848CK0	2024	70,000	3.000%	0.500%	435848CP9	2028	80,000	3.000%	1.100%	435848CZ7	2038	305,000	2.000%	2.000%	
435848CL8	2025	70,000	3.000%	0.600%	435848CQ7	2029	80,000	3.000%	1.300%	435848DC7	2041	325,000	2.000%	2.200%	

The information regarding the reoffering rates was provided to the Village by the initial purchasers of the Bonds.

BERNARDI SECURITIES, INC.

The Date of this Official Statement is May 27, 2021

⁽¹⁾Copyright 2021, American Bankers Association, CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc.

*Priced to first call date of October 1, 2029.

The Bonds have not been registered with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, or registered in any state and will not be listed on any stock or other securities exchange. Neither the SEC nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale, except as disclosed herein.

No dealer, salesman or any other person has been authorized to give any information or to make any representation, other than the information and representations contained herein, in connection with the offering of the Bonds and, if given or made, such information or representations must not be relied upon.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby by any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to whom it is unlawful to make such offer or solicitation. The information set forth herein has been provided by the Village and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness.

All summaries contained in this Official Statement are subject in all respects to the complete statute, regulation, rule, court decision or report. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor the sale made hereunder shall under any circumstance create any implication that there has been no change in the affairs of the Village since the date hereof.

The cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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THE BONDS

\$1,745,000
VILLAGE OF HOLLY
COUNTY OF OAKLAND, STATE OF MICHIGAN
2021 CAPITAL IMPROVEMENT BONDS
(LIMITED TAX GENERAL OBLIGATION)

MATURITIES

<u>CUSIP ⁽¹⁾</u>	<u>Year</u>	<u>Amount</u>	<u>CUSIP ⁽¹⁾</u>	<u>Year</u>	<u>Amount</u>	<u>CUSIP ⁽¹⁾</u>	<u>Year</u>	<u>Amount</u>
435848CH7	2022	\$65,000	435848CM6	2026	75,000	435848CT1	2032	\$255,000 *
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435848CK0	2024	70,000	435848CP9	2028	80,000	435848CZ7	2038	305,000 *
435848CL8	2025	70,000	435848CQ7	2029	80,000	435848DC7	2041	325,000 *

*Term bonds, see mandatory redemption herein.

DESCRIPTION AND FORM OF THE BONDS

The Bonds will be issued in book-entry-only form as one fully registered Bond per maturity, without coupons, in the aggregate principal amount for each maturity set forth on the cover page hereof and may be purchased in denominations of \$5,000 or any integral multiple thereof. The Bonds will be dated the Date of Delivery and will bear interest from that date. Interest on the Bonds shall be payable on October 1, 2021 and semiannually each April 1 and October 1 thereafter prior to maturity or earlier redemption. Interest on the Bonds shall be computed using a 360-day year with twelve 30-day months, and the Bonds will mature on the dates and in the principal amounts and will bear interest at the rates as set forth on the cover of this Official Statement.

U.S. Bank National Association, Detroit, Michigan, or its successor will serve as paying agent (the "Paying Agent") and also as bond registrar and transfer agent if the Bonds cease to be held in book-entry-only form. For a description of payment of principal and interest, transfers and exchanges and notice of redemption on the Bonds which are held in the book-entry-only system, see "*Book-Entry-Only System*" below. In the event the Bonds cease to be held in the book-entry-only system, then interest on the Bonds shall be payable when due by check or draft to the person or entity who or which is, as of the fifteenth (15th) day of the month preceding each interest payment date, the registered owner of record, at the owner's registered address. See "*Book-Entry-Only System-Transfer Outside Book-Entry-Only System*" herein.

REDEMPTION PROVISIONS

OPTIONAL REDEMPTION

Bonds maturing in the years 2022 to 2029, inclusive, shall not be subject to optional redemption prior to maturity.

Bonds or portions thereof in multiples of \$5,000, maturing or subject to mandatory redemption in the years 2030 through final maturity, inclusive, shall be subject to redemption prior to maturity, at the option of the Village, in any order of maturity and within any maturity by lot, on any date on or after October 1, 2029, at par and accrued interest to the date fixed for redemption.

MANDATORY REDEMPTION

Bonds designated as term bonds (the "Term Bonds") shall be subject to mandatory redemption at par and accrued interest on the dates and in the amounts corresponding to the annual principal maturities herein before set forth. The Term Bonds or portions of Term Bonds to be redeemed shall be selected by lot.

<u>Term Bond Maturing</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Term Bond Maturing</u>	<u>Year</u>	<u>Principal Amount</u>
October 1, 2032	2030	\$85,000	October 1, 2035	2033	\$90,000
	2031	85,000		2034	90,000
	2032	85,000		2035	95,000
<u>Term Bond Maturing</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Term Bond Maturing</u>	<u>Year</u>	<u>Principal Amount</u>
October 1, 2038	2036	\$100,000	October 1, 2041	2039	\$105,000
	2037	100,000		2040	110,000
	2038	105,000		2041	110,000

The principal amounts of the Term Bonds to be redeemed each year as set forth in the preceding tables may be redeemed through the earlier purchase or optional redemption thereof by the Village, with any partial purchase or optional redemptions of such Term Bonds credited against such future redemption requirements as the Village shall determine.

NOTICE AND EFFECT OF REDEMPTION

If any Bonds are called for redemption, the Paying Agent, on behalf of the Village, shall give notice of such redemption at least 30 days prior to the date fixed for redemption. As described herein under "Book-Entry-Only System", as long as the Bonds are registered in the name of DTC or its nominee, redemption notices will be given to DTC only. Conveyance of notices by DTC to DTC Participants and Indirect Participants and, in turn, by the DTC Participants and Indirect Participants to Beneficial Owners (as defined in "Book-Entry-Only System") will be governed by arrangements among them. No further interest on Bonds called for redemption shall accrue after the date fixed for redemption, whether the Bonds are presented for redemption or not, provided the Village has money available for such redemption.

BOOK-ENTRY-ONLY SYSTEM

The information in this section has been furnished by The Depository Trust Company, New York, New York ("DTC"). No representation is made by the Village or the Transfer Agent as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. No attempt has been made by the Village or the Transfer Agent to determine whether DTC is or will be financially or otherwise capable of fulfilling its obligations. Neither the Village nor the Transfer Agent will have any responsibility or obligation to Direct Participants, Indirect Participants (both as defined below) or the persons for which they act as nominees with respect to the Bonds, or for any principal, premium, if any, or interest payment thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the

Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Village as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, interest and redemption amounts, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Village or the Transfer Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Transfer Agent, or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, interest and redemption amounts, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Village or the Transfer Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Village or the Transfer Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Village may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

TRANSFER OUTSIDE BOOK-ENTRY-ONLY SYSTEM

In the event the Book-Entry-Only System is discontinued, the following provisions would apply to the Bonds. The Transfer Agent shall keep the registration books for the Bonds (the "Bond Register") at its designated corporate trust office. Subject to the further conditions contained in the Resolution (hereinafter defined), the Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the principal corporate trust office of the Transfer Agent by the registered owners or their duly authorized attorneys; upon surrender of any Bonds to be transferred or exchanged, the Transfer Agent shall record the transfer or exchange in the Bond Register and shall authenticate replacement bonds in authorized denominations, the Village and the Transfer Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in the Bond Register as of the appropriate dates, as the owner of such Bonds for all purposes under the Resolution. No transfer or exchange made other than as described above and in the Resolution shall be valid or effective for any purposes under the Resolution.

THE PROJECT

DESCRIPTION

The Bonds are being issued for the purpose of paying part of the cost to acquire, construct, furnish and equip various capital improvements, including water main improvements, road and intersection improvements and ADA compliance improvements, together with all related site improvements, appurtenances and attachments (the "Project").

USE OF BOND PROCEEDS

The project cost is as follows:

Sources Of Funds	
Par Amount of Bonds	\$1,745,000.00
Reoffering Premium	57,573.05
Total Sources	<u>\$1,802,573.05</u>
 Uses Of Funds	
Total Underwriter's Discount (1.500%)	\$26,175.00
Costs of Issuance ⁽¹⁾	51,149.00
Deposit to Construction Fund	1,725,249.05
Total Uses	<u>\$1,802,573.05</u>

⁽¹⁾Includes, but not limited to, legal, financial, printing, publishing and rating fees.

AUTHORITY

The Bonds are being issued pursuant to the provisions of Act 34, Public Acts of Michigan, 2001, as amended ("Act 34"), and a resolution duly adopted by the Village Council of the Village on April 13, 2021 (the "Resolution").

MUNICIPAL FINANCE QUALIFYING STATEMENT

The Village of Holly has filed a Qualifying Statement for the fiscal year ended June 30, 2020. The Michigan Department of Treasury has determined that the Village is in material compliance with the criteria identified in Section 303 (3) of Act 34 and the Village may therefore proceed to issue the Bonds without further approval of the Michigan Department of Treasury.

SECURITY

The Bonds will be limited tax general obligations of the Village payable from ad valorem taxes levied on all taxable property in the Village or from any other funds of the Village legally available therefor. The full faith and credit of the Village have been pledged for the prompt payment of the principal of and interest on the Bonds as the same shall become due. Each year the Village is obligated to include in its budget as a first budget obligation an amount sufficient to pay such principal and interest as the same shall become due. The ability of the Village to levy taxes to raise funds to pay such amounts SHALL BE SUBJECT TO APPLICABLE CONSTITUTIONAL, STATUTORY AND CHARTER TAX LIMITATIONS.

The rights and remedies of bondholders may be affected by bankruptcy insolvency, fraudulent conveyance or other laws affecting creditors' rights generally now existing or hereafter enacted and by the application of general principles of equity including those relating to equitable subordination.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds have been designated as "qualified tax-exempt obligations" for purposes of deduction of interest expense by financial institutions as defined in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

TAX MATTERS

In the opinion of Miller, Canfield, Paddock and Stone, P.L.C., Bond Counsel, under existing law, the interest on the Bonds is excludable from gross income for federal income tax purposes. Bond Counsel is also of the opinion that, under existing law, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. Bond Counsel will express no opinion regarding any other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The opinions on federal and State of Michigan tax matters are based on the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Village contained in the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excludable from gross income for federal and State of Michigan income tax purposes. The Village has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excludable from gross income

for federal and State of Michigan income tax purposes, and not to take any actions that would adversely affect that exclusion. Bond Counsel's opinions assume the accuracy of the Village's certifications and representations and the continuing compliance with the Village's covenants. Noncompliance with these covenants by the Village may cause the interest on the Bonds to be included in gross income for federal and State of Michigan income tax purposes retroactively to the date of issuance of the Bonds. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal and State of Michigan income tax purposes of interest on the Bonds or the market prices of the Bonds.

The opinions of Bond Counsel are based on current legal authority and cover certain matters not directly addressed by such authority. They represent Bond Counsel's legal judgment as to the excludability of interest on the Bonds from gross income for federal and State of Michigan income tax purposes but are not a guarantee of that conclusion. The Federal income tax opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel cannot give and has not given any opinion or assurance about the effect of future changes in the Internal Revenue Code of 1986, as amended (the "Code"), the applicable regulations, the interpretations thereof or the enforcement thereof by the IRS.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Bonds. Bond Counsel will express no opinion regarding any such consequences.

TAX TREATMENT OF ACCRUALS ON ORIGINAL ISSUE DISCOUNT BONDS

Under existing law, if the initial public offering price to the public (excluding bond houses and brokers) of a Bond is less than the stated redemption price of such Bonds at maturity, then such Bond is considered to have "original issue discount" equal to the difference between such initial offering price and the amount payable at maturity (such Bonds are referred to as "OID Bonds"). Such discount is treated as interest excludable from federal gross income to the extent properly allocable to each registered owner thereof. The original issue discount accrues over the term to maturity of each such OID Bonds on the basis of a constant interest rate compounded at the end of each six-month period (or shorter period) from the date of original issue with straight-line interpolations between compounding dates. The amount of original issue discount accruing during each period is added to the adjusted basis of such OID Bonds to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such OID Bonds.

The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of OID Bonds who purchase such OID Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such OID Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such OID Bonds.

All holders of the OID Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition of an OID Bond to the extent such loss is attributable to accrued original issue discount.

AMORTIZABLE BOND PREMIUM

For federal income tax purposes, the excess of the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold over the amount payable at maturity thereof constitutes for the original purchasers of such Bonds (collectively, the "Original Premium Bonds") an amortizable bond premium. Bonds other than Original Premium Bonds may also be subject to an amortizable bond premium determined generally with regard to the taxpayer's basis (for purposes of determining loss on a sale or exchange) and the amount payable on maturity or, in certain cases, on an earlier call date (such bonds being referred to herein collectively with the Original Premium Bonds as the "Premium Bonds"). Such amortizable bond premium is not deductible from gross income. The amount of amortizable bond premium allocable to each taxable year is generally determined on the basis of the taxpayer's yield to maturity determined by using the taxpayer's basis (for purposes of determining loss on sale or exchange) of such Premium Bonds and compounding at the close of each six-month accrual period. The amount of amortizable bond premium allocable to each taxable year is deducted from the taxpayer's adjusted basis of such Premium Bonds to determine taxable gain upon disposition (including sale, redemption or payment at maturity) of such Premium Bonds.

All holders of the Premium Bonds should consult with their own tax advisors as to the amount and effect of the amortizable bond premium.

MARKET DISCOUNT

The "market discount rules" of the Code apply to the Bonds. Accordingly, holders acquiring their Bonds subsequent to the initial issuance of the Bonds will generally be required to treat market discount recognized under the provisions of the

Code as ordinary taxable income (as opposed to capital gain income). Holders should consult their own tax advisors regarding the application of the market discount provisions of the Code and the advisability of making any of the elections relating to market discount allowed by the Code.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Information reporting requirements apply to interest paid after March 31, 2007 on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing the Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the IRS.

FUTURE DEVELOPMENTS

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds and, unless separately engaged, bond counsel is not obligated to defend the Village in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Village as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit.

NO ASSURANCE CAN BE GIVEN THAT ANY FUTURE LEGISLATION OR CLARIFICATIONS OR AMENDMENTS TO THE CODE, IF ENACTED INTO LAW, WILL NOT CONTAIN PROPOSALS WHICH COULD CAUSE THE INTEREST ON THE BONDS TO BE SUBJECT DIRECTLY OR INDIRECTLY TO FEDERAL OR STATE OF MICHIGAN INCOME TAXATION, ADVERSELY AFFECT THE MARKET PRICE OR MARKETABILITY OF THE BONDS, OR OTHERWISE PREVENT THE HOLDERS FROM REALIZING THE FULL CURRENT BENEFIT OF THE STATUS OF THE INTEREST THEREON. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

FURTHER, NO ASSURANCE CAN BE GIVEN THAT ANY ACTIONS OF THE INTERNAL REVENUE SERVICE, INCLUDING, BUT NOT LIMITED TO, SELECTION OF THE BONDS FOR AUDIT EXAMINATION, OR THE COURSE OR RESULT OF ANY EXAMINATION OF THE BONDS, OR OTHER BONDS WHICH PRESENT SIMILAR TAX ISSUES, WILL NOT AFFECT THE MARKET PRICE OF THE BONDS.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS, INCLUDING THE IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE OF MICHIGAN TAX LEGISLATION.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Miller, Canfield, Paddock and Stone, P.L.C., Detroit, Michigan, Bond Counsel. The opinion of Bond Counsel will be substantially in the form as set forth in Appendix E.

BOND COUNSEL'S RESPONSIBILITY

The fees of Miller, Canfield, Paddock and Stone, P.L.C. ("Bond Counsel") for services rendered in connection with its approving opinion are expected to be paid from Bond proceeds. Except to the extent necessary to issue its approving opinion as to the validity of the Bonds and the exemption of the Bonds and the interest thereon from taxation, and as hereafter stated, Bond Counsel has not been retained to examine or review, and has not examined or reviewed any financial documents, statements or materials that have been or may be furnished in connection with the authorization, issuance or marketing of the Bonds and accordingly will not express any opinion with respect to the accuracy or completeness of any such financial documents, statements or materials.

Bond Counsel has not been retained to review this Official Statement for accuracy or completeness, and has not made inquiry of any official or employee of the Village or any other person regarding, and has made no independent verification of, such other portions hereof, and further has not expressed and will not express an opinion as to any portions hereof.

REGISTERED MUNICIPAL ADVISOR TO THE VILLAGE

Bendzinski & Co., Municipal Finance Advisors, Grosse Pointe, Michigan, (the "Municipal Advisor") is a Registered Municipal Advisor in accordance with the rules of the Municipal Securities Rulemaking Board ("MSRB"). The Municipal Advisor has been retained by the Village to provide certain financial advisory services including, among other things, preparation of the deemed "final" Preliminary Official Statement and the final Official Statement (the "Official Statements"). The information contained in the Official Statements was prepared in form by the Municipal Advisor and is based on information supplied by various officials from records, statements and reports required by various local, county or state agencies of the State of Michigan in accordance with constitutional or statutory requirements.

To the best of the Municipal Advisor's knowledge, all of the information contained in the Official Statements, which it assisted in preparing, while it may be summarized is (i) complete and accurate; (ii) does not contain any untrue statement of a material fact; and (iii) does not omit any material fact, or make any statement which would be misleading in light of the circumstances under which these statements are being made. However, the Municipal Advisor has not and will not independently verify the completeness and accuracy of the information contained in the Official Statements.

The Municipal Advisor's duties, responsibilities and fees arise solely as Municipal Advisor to the Village and it has no secondary obligation or other responsibility. The Municipal Advisor's fees are expected to be paid from Bond proceeds.

RATING INFORMATION

S&P Global Ratings, acting through Standard & Poor's Financial Services, LLC has assigned its municipal bond rating as stated on the front cover of this Official Statement, to this issue of Bonds.

The assigned rating reflects the independent judgment of the rating agency and there is no assurance that said rating will continue for any period of time or that it will not be revised or withdrawn by the rating agency. A revision or withdrawal of said rating may have an effect on the market price of the securities.

CONTINUING DISCLOSURE

The Village has covenanted for the benefit of the Bondholders and the Beneficial Owners (as hereinafter defined), pursuant to the Resolution and Continuing Disclosure Undertaking to be delivered on the date of issuance of the Bonds to the purchasers thereof (the "Disclosure Undertaking"), to provide or cause to be provided: (i) each year, certain financial information and operating data relating to the Village for its preceding fiscal year (the "Annual Report") by not later than the date six months after the first day of its fiscal year, commencing with the Annual Report for the Village's fiscal year ended June 30, 2021; provided, however, that if the audited financial statements of the Village are not available by such date, they will be provided when and if available, and unaudited financial statements in a format similar to the audited financial statements then most recently prepared for the Village will be included in the Annual Report; and (ii) timely notices of the occurrence of certain enumerated events. Currently, the Village's fiscal year commences on July 1. "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including any person holding Bonds through nominees, depositories or other intermediaries).

Each Annual Report will be filed with the MSRB electronically through the MSRB's Electronic Municipal Market Access system ("EMMA"). If the Village is unable to provide the MSRB its Annual Report by the date required, the Village shall send in a timely manner notice to the MSRB through EMMA, a notice of the failure to file the Annual Report by such date. Notices of material events will be filed by the Village with the MSRB through EMMA. These covenants have been made in order to assist the purchaser of the Bonds and registered brokers, dealers and municipal securities dealers in complying with the requirements of subsection (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule"). The information to be contained in the Annual Report, the enumerated events, the occurrence of which will require a notice, and the other terms of the Disclosure Undertaking are set forth in Appendix F – "Form of Continuing Disclosure Undertaking."

Failure by the Village to comply with the Disclosure Undertaking will not constitute an event of default under the Resolution and Beneficial Owners of the Bonds are limited to the remedies described in the Disclosure Undertaking.

Except as hereinafter described, the Village has not failed to comply in the past 5 years in any material respect, with any previous undertakings pursuant to the Rule.

PRINTING AND DELIVERY

The Village will furnish Bonds at its expense for delivery to the purchaser to DTC at New York, New York. Delivery of the Bonds shall be within 45 days from the date of sale of the Bonds. Payment for the Bonds shall be made in Federal Reserve Funds.

POTENTIAL IMPACT OF THE COVID – 19 PANDEMIC

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of the coronavirus. On March 10, 2020, Michigan Governor Gretchen Whitmer declared a state of emergency across the State, directing State agencies to use all resources necessary to prepare for and respond to the outbreak. On March 13, 2020, President Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic. The current spread of COVID-19, and actions taken by the federal and state and local governments in response thereto, are altering the behavior of businesses and people in a manner that may have a long term negative effect on economic activity, and therefore could adversely affect the future financial condition of the Village, directly or indirectly.

State of Emergency- Legislative Authority and Executive Orders

In response to the effect of COVID-19 in Michigan, the Governor has exercised broad authority under the Emergency Powers of the Governor Act, Act 302, Public Acts of Michigan, 1945, as amended (“Act 302”) and the Emergency Management Act, Act 390, Public Acts of Michigan, 1976, as amended (“Act 390”). Beginning on March 10, 2020, the Governor issued a series of executive orders declaring a state of emergency and a state of disaster in the State in response to COVID-19, indicating that the state of emergency and state of disaster will terminate on the earlier of a specified date or when emergency and disaster conditions no longer exist.¹

Act 390 requires approval of the legislature to extend an executive order issued pursuant to that statute to continue beyond 28 days. Act 302 is silent on legislative approval. On April 7, 2020, the Michigan Legislature approved the Governor’s extension of the state of emergency and state of disaster through April 30, 2020. On April 30, 2020 the Legislature did not extend the state of emergency and state of disaster under Act 390.

Subsequent to April 30, 2020, the Governor continued to issue executive orders under Act 302 and Act 390 (see “—*Stay-Home Practices and Restricted Activity- Executive Orders*” herein). On May 5, 2020, the Legislature filed suit against the Governor challenging the validity and constitutionality of her executive orders related to COVID-19. On October 12, 2020, the Michigan Supreme Court issued an order finding that (i) the Governor did not have authority after April 30, 2020, to issue or renew any executive orders related to the COVID-19 pandemic under Act 390 and (ii) the Governor did not possess the authority to exercise emergency powers under Act 302 because the statute unlawfully delegates legislative power to the executive branch in violation of the Michigan Constitution. The court’s order was given immediate effect.

The court’s October 12, 2020 order incorporated by reference the analysis and conclusions from its October 2, 2020 opinion in response to a request to answer certified questions in *Midwest Institute Of Health, PLLC v. Governor*, a case pending in the Federal District Court for the Western District of Michigan, which likewise found the Governor’s actions invalid.

Stay-Home Practices and Restricted Activity- Executive Orders

Beginning on March 23, 2020, the Governor issued a series of executive orders directing Michigan businesses and other venues to temporarily suspend or reduce in-person operations that are not necessary to sustain or protect life and further directed individuals to stay in their homes unless they are part of the critical infrastructure workforce. In light of the recent Michigan Supreme Court decisions, those orders are no longer legally effective (see “—*State of Emergency- Legislative Authority and Executive Orders*” herein); however beginning on October 9, 2020, the Michigan Department of Health and Human Services (“DHHS”) has issued statewide orders limiting attendance at various types of gatherings and capacity at various types of venues, including a variety of businesses. The current DHHS order became effective May 15, 2021, and remains in effect through May 31, 2021.

¹ All COVID-19-related executive orders and executive directives issued by the Governor, Michigan Department of Health and Human Services epidemic orders, as well as other releases and information regarding COVID-19 in the State, can be accessed at www.michigan.gov/coronavirus.

Impact on the Village and the Bonds

The Village has pledged its full faith and credit for the payment of principal of and interest on the Bonds, including collections of ad valorem taxes levied on all taxable property in the Village, subject to applicable constitutional, statutory and charter tax rate limitations. The Village does not currently anticipate that the 2021 levy of property taxes will be materially affected; however the Village cannot predict the effect the spread of COVID-19 will have on collection of those taxes or on future property tax levies and collections.

Although the State's finances have also been adversely affected by the continued spread of COVID-19, recent revenue projections have improved. The State's August 2020 Consensus Revenue Estimating Conference (the "Conference") projected an overall 4.1% revenue decrease for the State's fiscal year 2021 in the General Fund and School Aid Fund (the "GF-SAF") from the prior year; however the January Conference revised that figure to a 2.0% decrease. The January Conference also projected a 4.5% increase in Constitutional revenue sharing for the State's 2021 fiscal year. This increase will affect payments to local units of government, including the Village. Statutory revenue sharing, which is set by legislative appropriation, has also been affected. August 2020 statutory revenue sharing payments were eliminated and replaced with payments from a portion of funds allocated to the State under the federal Coronavirus Aid, Relief and Economic Security Act, Public Law 116-36 (the "CARES Act"), which were equal to or greater than the eliminated August revenue sharing payments, but must be spent in accordance with CARES Act restrictions. The State's enacted fiscal year 2021 budget maintains statutory revenue sharing payments at fiscal year 2020 levels prior to the one-time August 2020 elimination referenced above. See "REVENUES FROM THE STATE OF MICHIGAN" in APPENDIX A. The Village cannot currently predict the ultimate effect the spread of COVID-19 will have on its future finances or operations.

ABSENCE OF CERTAIN LITIGATION

According to Village Attorney, Michael Gildner, of Simen, Figura & Parker, P.L.C. there is no litigation to his knowledge, pending or threatened, in any court (either state or federal) which seeks to restrain or enjoin the issuance or delivery of the Bonds, or which questions (i) the proceedings under which the Bonds are to be issued, (ii) the validity of the Bonds, (iii) the legal existence of the Village or the title to the office of the present officials of the Village, or (iv) the ability of the Village to operate or any other matter which may materially affect the financial condition of the Village.

OTHER MATTERS

The Village certifies that to its best knowledge and belief, this Official Statement, insofar as it pertains to the Village and its economic and financial condition, is true and correct as of its date, and does not contain, nor omit, any material facts or information which would make the statements contained herein misleading. All information contained in this Official Statement, other than that provided by the Village, is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of such information. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

VILLAGE OF HOLLY

By: /s/ JERRY WALKER
Jerry Walker, Village Manager

APPENDIX A

VILLAGE OF HOLLY GENERAL DESCRIPTION AND STATISTICAL INFORMATION

VILLAGE OF HOLLY
LOCATION AND DESCRIPTION

The Village of Holly (the "Village") is located in the northwest portion of Oakland County in Michigan's Lower Peninsula, encompassing approximately 2.5 square miles adjacent to the Township of Holly.

FORM OF GOVERNMENT

The Village operates under the Council - Manager form of government. The Manager is appointed by the Council and serves at their pleasure. The Manager is responsible for the administration and daily operation of the Village. The Council consists of a President who is elected for a two year term and six council members are elected for four year overlapping terms.

POPULATION

2019 Estimate	6,174 *
2010 U.S. Census	6,086
2000 U.S. Census	6,135
1990 U.S. Census	5,595

*American Community Survey 2015-2019

FISCAL YEAR

July 1 to June 30

PROPERTY VALUATIONS

Article IX, Section 3, of the Michigan Constitution provides that the proportion of true cash value at which property shall be assessed shall not exceed 50% of true cash value. The Michigan Legislature by statute has provided that property shall be assessed at 50% of its true cash value. The Michigan Legislature or the electorate may at some future time reduce the percentage below 50% of true cash value.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value." Since 1995, taxable property has two valuations -- State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value. Generally, Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year minus any losses, multiplied by the less of 1.05% or the inflation rate, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV. When property is sold or transferred, Taxable Value is adjusted to the SEV, which under existing law is 50% of the current true cash value. The Taxable Value of new construction is equal to current SEV. Taxable Value and SEV of existing property are also adjusted annually for additions and losses.

REAL PROPERTY TAX ASSESSMENTS

Responsibility for assessing taxable real property rests with the local assessing officer of each township and city. Any property owner may appeal the assessment to the local assessor, the local Board of Review and ultimately to the Michigan Tax Tribunal.

The Michigan Constitution also mandates a system of equalization for assessments. Although the assessors for each local unit of government within a county are responsible for actually assessing at 50% of true cash value, adjusted for Taxable Value purposes, the final SEV and Taxable Value are arrived at through several steps. Assessments are established initially by the municipal assessor. Municipal assessments are then equalized to the 50% levels as determined by the County's Department of Equalization. Thereafter, the State equalizes the various counties in relation to each other. SEV is important, aside from its use in determining Taxable Value for the purpose of levying ad valorem property taxes, because of its role in the spreading of taxes between overlapping jurisdictions, the distribution of various State aid programs, State revenue sharing and in the calculation of debt limits.

Property that is exempt from property taxes, e.g., churches, government property, public schools, is not included in the SEV and Taxable Value data in this Official Statement. Property granted tax abatements under Act 198, Public Acts of Michigan, 1974, as amended ("Act 198") is recorded on a separate tax roll while subject to tax abatement. The valuation of

tax-abated property is based upon SEV but is not included in either the SEV or Taxable Value data in this Official Statement except as noted.

APPEAL OF PROPERTY ASSESSMENTS

Property taxpayers may appeal their assessments to the Michigan Tax Tribunal. Unless otherwise ordered by the Tax Tribunal, before the Tax Tribunal renders a decision on an assessment appeal, the taxpayer must have paid the tax bill. The Village has _____ tax appeals pending before the Tax Tribunal (including personal property appeals) for the year 2021, none of which are expected to have a significant impact on the Village's State Equalized Valuation, Taxable Value or the resulting taxes.

INDUSTRIAL FACILITIES TAX

The Michigan Plant Rehabilitation and Industrial Development District Act (Act 198, Public Acts of Michigan, 1974, as amended) ("Act 198") provides significant property tax incentives to industry to renovate and expand aging industrial facilities and to build new industrial facilities in Michigan. Under the provisions of Act 198, qualifying cities, villages and townships may establish districts in which industrial firms are offered certain property tax incentives to encourage restoration or replacement of obsolete industrial facilities and to attract new industrial facilities.

Property owners situated in such districts pay an Industrial Facilities Tax ("IFT") in lieu of ad valorem property taxes on plant and equipment for a period of up to 12 years. For rehabilitated plant and equipment, the IFT is determined by calculating the product of the taxable value of the replacement facility in the year before the effective date of the abatement certificate multiplied by the total mills levied by all taxing units in the current year. For abatements granted prior to January 1, 1994, new plant and equipment is taxed at one-half the total mills levied by all taxing units, except for mills levied for local school district operating purposes or under the State Education Tax Act, plus one-half of the number of mills levied for local school district operating purposes in 1993. For new facility abatements granted after 1993, new plant and equipment is taxed at one-half of the total mills levied as ad valorem taxes by all taxing units, except mills levied under the State Education Tax Act, plus the number of mills levied under the State Education Tax Act. For new facility abatements granted after 1993, the State Treasurer may permit abatement of all, none or one-half of the mills levied under the State Education Tax Act. It must be emphasized, however, that ad valorem property taxes on land and inventory are not reduced in any way since both land and inventory are specifically excluded under Act 198.

The Village does not have any IFT exemption certificates currently outstanding.

HISTORY OF PROPERTY VALUATIONS

Year	STATE	TAXABLE
	EQUALIZED	VALUE
	VALUATION	
2020	\$170,064,150	\$125,524,370
2019	157,695,370	119,644,460
2018	146,765,610	114,100,300
2017	140,978,120	108,181,360
2016	129,313,770	104,341,010
2015	116,181,430	102,136,770
2014	105,667,060	99,713,540
2013	100,737,980	98,923,560
2012	100,894,370	99,063,820
2011	106,682,010	103,429,450

Source: Village of Holly and Oakland County Equalization Department

MICHIGAN PROPERTY TAX REFORM

The enactment of Michigan Public Acts 153 and 154 of 2013, together with subsequent enactment of Michigan Public Acts 80 and 86 through 93 of 2014, significantly reformed personal property tax in Michigan. The voters of the State approved a referendum on August 4, 2014, to which all of these acts were tied, and therefore these acts will continue in effect.

Under these acts, owners of industrial and commercial personal property with a total true cash value of \$80,000 or less may annually file an affidavit claiming a personal property tax exemption. To be eligible for the exemption, all of the commercial or industrial personal property within a city that is owned by, leased to, or controlled by the claimant has to have accumulated true cash value of \$80,000 or less. Beginning in 2016, owners of certain eligible manufacturing personal property that was either purchased after December 31, 2012, or that is at least 10 years old have been able to claim an exemption from personal property tax by filing an affidavit claiming the exemption. By 2022, all eligible manufacturing personal property will be at least 10 years old or purchased after December 31, 2012, so that it could be exempted from personal property tax.

To replace revenues lost by local governments, due to these exemptions, a portion of the current State use tax is set aside as a “local community stabilization share” that will not be subject to the annual appropriations process, and is automatically provided to a “local community stabilization authority” for distribution pursuant to a statutory formula anticipated to provide 100% reimbursement to local governments for losses due to the new personal property tax exemptions.

The legislation provides for replacement of revenues lost by local governments, including counties, cities, villages and townships, due to these exemptions beginning in 2016. Those revenues will be from a portion of the current State use tax that will be set aside as a “local community stabilization share” of the use tax, will not be subject to the annual appropriations process, and will automatically be provided to a “local community stabilization authority” for distribution pursuant to a statutory formula anticipated to provide 100% reimbursement to local governments for losses due to the new personal property tax exemptions.

An analysis of **State Equalized Valuation** is as follows:

BY CLASS			
	2020	2019	2018
Real Property	\$163,865,870	\$151,646,330	\$140,775,920
Personal Property	6,198,280	6,049,040	5,989,690
TOTAL	<u>\$170,064,150</u>	<u>\$157,695,370</u>	<u>\$146,765,610</u>

BY USE			
	2020	2019	2018
Residential	\$126,619,810	\$115,974,280	\$106,455,460
Commercial	33,700,350	32,267,560	31,144,170
Industrial	3,545,710	3,404,490	3,176,290
Personal Property	6,198,280	6,049,040	5,989,690
TOTAL	<u>\$170,064,150</u>	<u>\$157,695,370</u>	<u>\$146,765,610</u>

Source: Village of Holly and Oakland County Equalization Department

An analysis of **Taxable Value** is as follows:

BY CLASS			
	2020	2019	2018
Real Property	\$119,258,920	\$113,528,640	\$108,110,610
Personal Property	6,265,450	6,115,820	5,989,690
TOTAL	<u>\$125,524,370</u>	<u>\$119,644,460</u>	<u>\$114,100,300</u>

BY USE			
	2020	2019	2018
Residential	\$86,694,790	\$82,200,210	\$77,738,600
Commercial	29,437,850	28,272,970	27,488,990
Industrial	3,126,280	3,055,460	2,883,020
Personal Property	6,265,450	6,115,820	5,989,690
TOTAL	<u>\$125,524,370</u>	<u>\$119,644,460</u>	<u>\$114,100,300</u>

Source: Village of Holly and Oakland County Equalization Department

MAJOR TAXPAYERS

According to Village officials, the 2020 State Equalized Valuation and the 2020 Taxable Value of each of the Village's major taxpayers is as follows:

Name of Taxpayer	2020 State Equalized Value	2020 Taxable Value
Consumers Energy	\$2,901,210	\$2,899,630
Holly Plaza Partners, LLC	2,079,020	2,079,020
Mission PT Healthcare Holdings	1,556,740	1,367,380
New Holly Manor, LLC	1,489,120	1,082,600
Presbyterian Village - Holly *	1,480,480	1,462,190
Presbyterian Village - Michigan *	1,448,700	1,366,740
Delta Tube & Manufacturing	1,380,750	1,182,390
Hawaiian Gardens	1,369,620	1,214,630
Sun Hawaiian Manor, LLC	1,105,330	950,040
Comcast of Flint, Inc.	818,050	818,050

* These properties are Senior and Disabled Non-Profit Housing under Michigan Compiled Laws 211.7d, as amended by Michigan Public Act 8 of 2010. For these properties the calculation of the assessed value is calculated in the same manner as the assessed value is calculated for all ad valorem property. The taxable value for exempt property is to remain at the 2008 taxable value or the taxable value for the first year the exemption is valid. The property remains on the ad valorem assessment roll.

Source: Village of Holly

TAX RATES *

(Per \$1,000 of Taxable Value)

	2020		2019		2018	
	Principal <u>Residence</u>	Non Principal <u>Residence</u>	Principal <u>Residence</u>	Non Principal <u>Residence</u>	Principal <u>Residence</u>	Non Principal <u>Residence</u>
Village of Holly						
- Operating	12.1596	12.1596	12.4472	12.4472	12.6832	12.6832
Township of Holly	2.4151	2.4151	2.4334	2.4334	2.4549	2.4549
County of Oakland	4.3700	4.3700	4.2729	4.2729	4.2749	4.2749
Holly School District						
- Local	-	17.9047	-	17.9334	-	18.0000
- Debt	8.5000	8.5000	8.5000	8.5000	8.5000	8.5000
State Education Tax (SET)	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000
Oakland County ISD	3.2280	3.2280	3.2539	3.2539	3.2813	3.2813
Oakland Community College	1.5184	1.5184	1.5303	1.5303	1.5431	1.5431
Zoo Authority	0.0965	0.0965	0.0973	0.0973	0.0982	0.0982
Art Authority	0.1913	0.1913	0.1929	0.1929	0.1945	0.1945
Huron Clinton Metro Authority	0.2104	0.2104	0.2117	0.2117	0.2129	0.2129
Total	<u>38.6893</u>	<u>56.5940</u>	<u>38.9396</u>	<u>56.8730</u>	<u>39.2430</u>	<u>57.2430</u>

* Principal residence includes qualified agricultural property, qualified forest property and industrial personal property, which is excluded from taxes levied for school operating purposes. Moreover, commercial personal property is exempt from a portion of taxes levied for school operating purposes. Non Principal Residence is property not included in the above definition.

Source: Village of Holly

TAX RATE LIMITATIONS

The Village is authorized pursuant to the Village Charter to levy the following tax rates:

<u>Purpose</u>	<u>Maximum Millage Authorized</u>	<u>Maximum Millage to be Levied</u>	<u>Expiration Date of Millage</u>
General Operating	\$20.0000	\$12.1596	In perpetuity

In addition, Article IX, Section 6, permits the levy of millage in excess of the above for:

1. All debt service on tax supported bonds issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.
2. Operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit.
3. Payment of valid judgments levied in accordance with State law.

CONSTITUTIONAL MILLAGE ROLL-BACK

Article IX, Section 31 of the Michigan Constitution requires that if the total value of existing taxable property in a local taxing unit, exclusive of new construction and improvements, increases faster than the U.S. Consumer Price Index from one year to the next, the maximum authorized tax rate for that local taxing unit must be permanently reduced through a Millage Reduction Fraction unless reversed by a vote of the electorate of the local taxing unit.

TAX LEVIES AND COLLECTIONS

<u>Tax Year</u>	<u>Fiscal Year Ended June 30,</u>	<u>Tax Levy</u>	<u>Collections to March 1 of Following Year</u>	
2020	2021	\$1,491,093	\$1,326,144	88.94%
2019	2020	1,458,204	1,341,357	91.99%
2018	2019	1,534,532	1,299,534	84.69%
2017	2018	1,510,681	1,371,008	90.75%
2016	2017	1,432,927	1,308,326	91.30%
2015	2016	1,296,013	1,210,325	93.39%
2014	2015	1,272,187	1,186,025	93.23%
2013	2014	1,260,247	1,152,411	91.44%
2012	2013	1,255,397	1,142,020	90.97%

Source: Village of Holly

The Village's taxes are due and payable and a lien created upon the assessed property on July 1, each year. Taxes remaining unpaid on the following March 1st are turned over to the County Treasurer for collection.

The General Property Tax Act was amended by Act 123 of Public Acts of Michigan, 1999 ("Act 123") which made extensive revisions to the procedures for collection of delinquent real property taxes. In general, for real property taxes levied after December 31, 1998, all property returned for delinquent taxes is subject to forfeiture, foreclosure and sale for the delinquent taxes in lieu of the tax lien sale held heretofore by the County Treasurer on the second Monday in May (which followed by twenty six (26) months the return of the delinquent taxes). Act 123 has the effect of shortening the process for collection of delinquent real property taxes from approximately six years (including statutory redemption periods) to approximately four years. Act 123 will not affect the obligation or authority of the Village to levy any taxes necessary for payment of debt service on general obligation limited tax bonds of the Village, including the Bonds offered herein.

Oakland County has established a Delinquent Tax Revolving Fund which pays all real property taxes returned delinquent to the County Treasurer as of March 1st of each year. Said fund pays all local units, school districts, villages, townships and the County general fund for the full amount of taxes levied against real property. If feasible, it is anticipated that the County will continue to reimburse the Village for any uncollected taxes, but there is no assurance that this will be the

case since the County is not obligated to continue this fund in future years. Uncollected personal property taxes must be collected by the local treasurer and are negligible.

REVENUES FROM THE STATE OF MICHIGAN

The Village receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971, as amended. The revenue sharing payments are composed of two components – a constitutional distribution and a statutory distribution.

The constitutional distribution is mandated by the State Constitution and distributed on a per capita basis to townships, cities and villages. The amount of the constitutionally mandated revenue sharing component distributed to the Village can vary depending on the population of the Village and the receipt of sales tax revenues by the State.

The statutory distribution is authorized by legislative action and distribution is subject to annual State appropriation by the State Legislature. Statutory distributions may be reduced or delayed by Executive Order during any State fiscal year in which the Governor, with the approval of the State Legislature’s appropriations committees, determines that actual revenues will be less than the revenue estimates on which appropriations were based.

On September 30, 2020, Governor Whitmer signed into law the budget for fiscal year 2021. The budget includes a constitutional revenue sharing distribution to cities, villages and townships of approximately \$851.87 million. The budget continues the incentive-based revenue sharing program known as the City, Village, and Township Revenue Sharing (or “CVTRS”) program begun in fiscal year 2015 that distributes revenue sharing to cities, villages and townships that meet requirements for accountability and transparency, including making a citizen’s guide to its finances, a performance dashboard, a debt service report and a two-year budget projection available for public viewing.

The CVTRS program is funded at \$261.0 million for fiscal year 2021, and each city, village and township that received a CVTRS distribution in fiscal year 2020 is eligible to receive a payment equal to 100.0% of its 2020 distribution. Each city, village or township that is determined to have a retirement pension benefit system in underfunded status under section 5 of Act 202, Public Acts of Michigan, 2017, must allocate the excess of the amount it receives in 2021 CVTRS payments over the amount it received in CVTRS payments in fiscal year 2019 to its unfunded pension liability. The fiscal year 2021 budget continues funding for the revenue sharing grant program for financially distressed communities at the 2020 level of \$2.5 million. The Village received CVTRS payments of \$91,400 in fiscal year 2020 and anticipates meeting the requirements to receive \$109,681 in CVTRS payments for fiscal year 2021.

Purchasers of the Bonds should be alerted to further modifications to revenue sharing payments to Michigan local governmental units, to potential consequent impact on the Village’s general fund condition, and to the potential impact upon the market price or marketability of the Bonds resulting from changes in revenues received by the Village from the State.

The following table sets forth the annual revenue sharing payments and other moneys received by the Village for the State fiscal years ended 2017 through 2020 and the amount anticipated for State fiscal year ending September 30, 2021.

State of Michigan Fiscal Year Ending September 30,	Constitutional Payments	City, Village & Township Revenue Sharing (CVTRS) Payments	CVT Supplemental Payments	Total
2021 *	\$ 551,074	\$ 109,681	\$ -	\$ 660,755
2020	525,333	91,400	-	616,733
2019	525,844	102,298	4,917	633,059
2018	502,688	102,298	4,942	609,928
2017	489,967	102,298	-	592,265

*Estimate as of April 7, 2021

Source: State of Michigan Treasury - Web site <https://treas-secure.state.mi.us/apps/findrevshareinfo.asp>

LABOR AGREEMENTS

The Village has three (3) employee bargaining units which have negotiated comprehensive salary, wage, fringe benefit and working conditions contracts with the Village. The duration of these agreements are as follows:

<u>Employee Group</u>	<u>Number of Employees</u>	<u>Expiration Date of Contract</u>
Teamsters	12	June 30, 2022
Police Officers Labor Council (Officer/Dispatch)	14	June 30, 2022
Police Officers Labor Council (Sergeant)	1	June 30, 2022

Source: Village of Holly

RETIREMENT PLANS

*DEFINED BENEFIT PENSION PLAN ***

Plan Description

The Village participates in an agent multiple-employer defined benefit pension plan administered by the Michigan 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 or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided

Municipal Employees' Retirement System of Michigan provides certain retirement, disability, and death benefits to plan members and their 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% 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. Vesting period is 10 years. Employees are eligible for non-duty disability benefits after 10 years of service and for duty related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

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

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

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.

** For further information, see Note 9 in the Village's audited Financial Statements, fiscal year ended June 30, 2020.

Employees Covered by Benefit Terms At December 31, 2019, measurement date, the following employees were covered by the benefit terms.

<u>Date of Member Count</u>	<u>12/31/2019</u>
Inactive plan members or beneficiaries currently receiving benefits	35
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	23
Total Employees Covered by MERS	<u>67</u>

Contributions

Article 9, Section 24 of the State of Michigan constitutions 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 liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2020, the Village's average contribution rate was 19.67%, 54.23%, and 55.51% of annual pay for department heads, DPW/Clerical employees, and Police Officers & Command employees, respectively.

Changes in the net pension liability and related ratios:

<u>Fiscal Year Ended June 30</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total pension liability				
Service cost	\$ 149,549	\$ 150,929	\$ 175,024	\$ 174,556
Interest	1,058,227	1,082,606	1,100,938	1,144,107
Change in benefit terms	-	-	(9,870)	-
Difference between expected and actual experience	14,767	(58,880)	251,499	(128,188)
Changes in assumptions	-	-	-	519,167
Benefit payments including employee refunds	(902,403)	(934,072)	(981,026)	(974,536)
Net change in total pension liability	320,140	240,583	536,565	735,106
Total pension liability, beginning of year	13,604,011	13,924,151	14,164,734	14,701,299
Total pension liability, ending of year	<u>\$ 13,924,151</u>	<u>\$ 14,164,734</u>	<u>\$ 14,701,299</u>	<u>\$ 15,436,405</u>
Plan Fiduciary Net Position				
Contributions Employer	\$ 476,580	\$ 508,093	\$ 633,522	\$ 718,816
Contributions Employee	-	-	6,337	13,920
Net Investment income (loss)	726,751	880,274	(273,847)	892,527
Benefit payments including employee refunds	(902,403)	(934,072)	(981,026)	(974,536)
Administrative & Other	(14,366)	(13,975)	(13,823)	(15,376)
Net change in plan fiduciary net position	286,562	440,320	(628,837)	635,351
Plan fiduciary net position, beginning of year	6,572,312	6,858,874	7,299,194	6,670,357
Plan fiduciary net position, ending of year	<u>\$ 6,858,874</u>	<u>\$ 7,299,194</u>	<u>\$ 6,670,357</u>	<u>\$ 7,305,708</u>
Village's Net Pension Liability - Ending	<u>\$ 7,065,277</u>	<u>\$ 6,865,540</u>	<u>\$ 8,030,942</u>	<u>\$ 8,130,697</u>
Plan fiduciary net position as a percentage of the total pension liability	49.26%	51.53%	45.37%	47.33%
Covered employee payroll	\$ 1,233,542	\$ 1,232,612	\$ 1,445,146	\$ 1,406,517
Employer's net pension liability as a percentage of covered employee payroll	572.76%	556.99%	555.72%	578.07%

Schedule of Village Contribution:

<u>Fiscal Year Ended June 30</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$631,401	\$633,522	\$566,882	\$459,643	\$493,462	\$624,340
Contributions in relation to the actuarially determined contribution	<u>718,816</u>	<u>633,522</u>	<u>566,882</u>	<u>459,643</u>	<u>493,462</u>	<u>624,340</u>
Contribution Excess	<u>\$ 87,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$1,406,517	\$1,233,542	\$1,232,612	\$1,233,542	\$1,178,050	\$1,322,030
Employee Payroll	51.1%	51.4%	46.0%	37.3%	41.9%	47.2%

OTHER POST EMPLOYMENT BENEFITS ***

The Village provides retiree healthcare benefits to eligible pre-Medicare retired employees and their spouses with a 50% or 35% contribution required from the retirees. Currently the plan has 28 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.

The plan provides medical and prescription drug benefits for retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the plan. Retirees receiving benefits are required to contribute 35% or 50% of the monthly premiums to the plan.

*** For further information, see Note 10 in the Village's audited Financial Statements, fiscal year ended June 30, 2020

The following members were covered by the benefit terms:

<u>Date of Member Count</u>	<u>6/30/2019</u>
Inactive plan members or beneficiaries currently receiving benefits	3
Active plan members	<u>25</u>
Total plan members	<u>28</u>

Retiree healthcare costs are paid by the Village on a pay as you go basis. The Village has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2018, the Village made payments for postemployment health benefit premiums of \$25,570.

Fiscal Year Ended June 30	2017	2018	2019	2020
Total OPEB liability				
Service cost	\$ 29,037	\$ 28,704	\$ 30,067	\$ 21,110
Interest	32,519	33,793	33,614	30,259
Change in benefit terms	-	-	(146,998)	-
Changes in assumptions	(15,736)	-	18,772	3,514
Differences between expected and actual experience	-	(36,559)	(764)	-
Benefit payments including employee refunds	<u>(54,555)</u>	<u>(22,362)</u>	<u>(25,570)</u>	<u>(19,808)</u>
Net change in total pension liability	(8,735)	3,576	(90,879)	35,075
Total OPEB liability, beginning of year	<u>720,569</u>	<u>711,834</u>	<u>715,410</u>	<u>624,531</u>
Total OPEB liability, ending of year	<u>\$ 711,834</u>	<u>\$ 715,410</u>	<u>\$ 624,531</u>	<u>\$ 659,606</u>
Plan Fiduciary Net Position				
Contributions Employer	\$ 54,555	\$ 14,320	\$ 19,695	\$ 13,571
Contributions Active & Inactive plan members not receiving benefits	-	8,042	5,875	6,237
Net Investment income (loss)	4,421	(3,632)	20,627	2,134
Benefit payments including employee refunds	(54,555)	(22,362)	(25,570)	(19,808)
Administrative & Other	<u>-</u>	<u>(2,023)</u>	<u>(1,159)</u>	<u>-</u>
Net change in plan fiduciary net position	4,421	(5,655)	19,468	2,134
Plan fiduciary net position, beginning of year	<u>379,916</u>	<u>384,337</u>	<u>378,682</u>	<u>398,150</u>
Plan fiduciary net position, ending of year	<u>\$ 384,337</u>	<u>\$ 378,682</u>	<u>\$ 398,150</u>	<u>\$ 400,284</u>
 Net OPEB Liability - Ending	 <u>\$ 327,497</u>	 <u>\$ 336,728</u>	 <u>\$ 226,381</u>	 <u>\$ 259,322</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 53.99%	 52.93%	 63.75%	 60.69%

Covered employee payroll	\$1,257,492	\$1,257,492	\$ -	\$ -
Employer's net pension liability as a percentage of covered employee payroll	26.04%	26.78%	N/A	N/A

The funding progress of the plan is as follows:

Fiscal Year Ended June 30	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 36,653	\$ 52,652	\$ 100,924	\$ 100,924	\$ 100,924	\$ 67,721
Contributions in relation to the actuarially determined contribution	<u>15,410</u>	<u>19,685</u>	<u>14,320</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Contribution Excess	<u>\$ (21,243)</u>	<u>\$ (32,967)</u>	<u>\$ (86,604)</u>	<u>\$ (95,924)</u>	<u>\$ (100,924)</u>	<u>\$ (67,721)</u>

GENERAL FUND-FUND BALANCE

The Village's General Fund fund balance for the last five years has been as follows:

Fiscal Year Ended June 30	Fund Balance
2020	\$ 845,032
2019	1,211,749
2018	1,723,553
2017	1,595,698
2016	1,492,446

Source: Village of Holly Audited Financial Statements

DEBT STATEMENT

(As of June 15, 2021, including the Bonds described herein)

DIRECT DEBT

General Obligation Bonds

06/1/2015	GOLT Refunding Bonds, Series 2015	\$ 1,790,000	
6/15/2021	Capital Improvement Bonds, Series 2021 (LTGO)	<u>\$ 1,745,000</u>	\$ 3,535,000

Revenue Bonds

04/15/2014	Wastewater Refunding Bonds, Series 2014	2,025,000	
12/23/2014	Water Refunding Bonds, Series 2014	<u>2,455,000</u>	<u>4,480,000</u>

TOTAL DIRECT DEBT

\$ 8,015,000

Less: Revenue Bonds

4,480,000

NET DIRECT DEBT

\$ 3,535,000

OVERLAPPING DEBT

41.57%	Holly Township	\$ -	\$ -
0.01%	Rose Township	-	-
14.64%	Holly School District	61,229,655	8,964,021
0.23%	Oakland County @ Large	252,983,349	581,862
0.23%	Oakland Intermediate School District	42,045,000	96,704
0.23%	Oakland Community College	-	-

TOTAL OVERLAPPING DEBT

\$ 9,642,587

NET DIRECT AND OVERLAPPING DEBT

\$ 13,177,587

Source: Municipal Advisory Council of Michigan

DEBT RATIOS:

Per Capita 2020 State Equalized Valuation	\$ 27,545.22
Per Capita 2020 True Cash Value	\$ 55,090.43
Per Capita Net Direct Debt	\$ 572.56
Per Capita Combined Net Direct and Overlapping Debt	\$ 2,134.37
Percent of Net Direct Debt of 2020 State Equalized Valuation	2.08%
Percent of Net Direct and Overlapping Debt of 2020 State Equalized Valuation	7.75%
Percent of Net Direct Debt of 2020 True Cash Value	1.04%
Percent of Net Direct and Overlapping Debt of 2020 True Cash Value	3.87%

SCHEDULE OF BOND MATURITIES

(As of June 15, 2021, including the Bonds described herein)

Year	General	Water	Wastewater
	Obligation Bonds	Revenue Bonds	Revenue Bonds
2021	330,000	390,000	370,000
2022	395,000	385,000	360,000
2023	450,000	400,000	405,000
2024	445,000	415,000	450,000
2025	445,000	425,000	440,000
2026	75,000	440,000	-
2027	75,000	-	-
2028	80,000	-	-
2029	80,000	-	-
2030	85,000	-	-
2031	85,000	-	-
2032	85,000	-	-
2033	90,000	-	-
2034	90,000	-	-
2035	95,000	-	-
2036	100,000	-	-
2037	100,000	-	-
2038	105,000	-	-
2039	105,000	-	-
2040	110,000	-	-
2041	110,000	-	-
	<u>\$ 3,535,000</u>	<u>\$ 2,455,000</u>	<u>\$ 2,025,000</u>

DEBT HISTORY: There is no record of default.

FUTURE BONDING: The Village does not anticipate the issuance of additional Bonds or Notes within the next 6 months.

STATEMENT OF LEGAL DEBT MARGIN

(As of June 15, 2021, including the Bonds described herein)

2020 State Equalized Valuation		\$	170,064,150
Plus Assessed Value Equivalent 2020 SEV of Act 198 exemptions			-
Total Valuation		\$	<u>170,064,150</u>
Debt Limited 10% of Assessed Valuation (1)		\$	17,006,415
Amount of Outstanding Debt	\$	8,015,000	
Less: (2-c) Revenue Bonds		<u>4,480,000</u>	<u>3,535,000</u>
LEGAL DEBT MARGIN		\$	<u>13,471,415</u>

(1) Act 278, Public Acts of Michigan, 1909, as amended, provides that the net indebtedness of the Village shall not exceed 10% of all assessed real and personal property in the Village.

(2) Bonds which are not included in the computation of legal debt margin according to said Act 3 are:

- (a) Special Assessment Bonds;
- (b) Mortgage Bonds;
- (c) Michigan Transportation Fund Bonds and Notes;
- (d) Revenue Bonds;
- (e) Bonds issued, or contract or assessment obligations incurred, to comply with an order of the former water resources commission, the department of environmental quality, or a court of competent jurisdiction;
- (f) Bonds issued, or contract or assessment obligations incurred for water supply, sewerage, drainage or refuse disposal projects necessary to protect the public health by abating pollution.
- (g) Bonds issued, or contract or assessment obligations incurred, for the construction, improvement or replacement of a combined sewer overflow abatement facility;
- (h) Bonds issued to pay premiums or establish self-insurance contracts in accordance with Act 34, Public Acts of Michigan, 2001, as amended.

MAJOR EMPLOYERS

Major employers in the Village of Holly are as follows:

Firm Name	Product/Service	Approximate Number of Employees
Grand Blanc Processing, LLC	Steel processing	75
Holly Distribution Center	Distribution of fasteners	100
TMI Climate Solutions	Air filtration systems	200
Acument Global Technologies, Inc.	Fasteners	210
Dee Creamer, Inc.	Sheet metal fabrication	250
Magna Electronic Technology, Inc.	Printed circuit boards	600

In addition to the above listed employers, according to the Michigan Manufacturers Directory, 2020 Edition the Village also has:

Number of Employers	Number of Employees
9	1 - 10
13	11 - 35
1	35-50

Source: Michigan Manufacturers Directory, 2020 Edition

LABOR CHARACTERISTICS

The U.S. Census 2015 – 2019 American Economic Characteristics lists the labor force characteristics for the Village, for employed persons 16 years and over, as follows:

<u>By Occupation</u>	<u>Number of Employees</u>
Management, business, science, and arts occupations	963
Service occupations	498
Sales and office occupations	748
Natural resources, construction, and maintenance occupations	322
Production, transportation, and material moving occupations	440
Total	<u>2,971</u>
<u>By Industry</u>	
Agriculture, forestry, fishing and hunting, and mining	82
Construction	159
Manufacturing	448
Wholesale trade	40
Retail trade	213
Transportation and warehousing, and utilities information	43
Information	32
Finance, insurance, real estate, and rental and leasing	341
Professional, scientific, management, administrative, and waste management services	397
Educational, health and social services	699
Arts, entertainment, recreation, accomodation and food services	288
Other services (except professional administration)	115
Public administration	114
Total	<u>2,971</u>

UNEMPLOYMENT DATA

According to the Michigan Department of Career Development, Employment Security Agency, Office of Labor Market Information, the unemployment statistics for the County of Oakland and State of Michigan during the last three calendar years and the most recent for the current year, are as follows:

	2021		2020		2019		2018	
	County of Oakland	State of Michigan	County of Oakland	State of Michigan	County of Oakland	State of Michigan	County of Oakland	State of Michigan
January	4.1%	6.1%	3.4%	4.2%	3.8%	4.8%	3.3%	5.0%
February	3.2%	5.1%	3.1%	3.8%	3.5%	4.6%	3.8%	4.9%
March			3.8%	4.5%	3.7%	4.8%	3.6%	4.6%
April			19.9%	23.6%	3.0%	3.8%	3.5%	3.8%
May			20.3%	21.1%	3.1%	3.8%	2.9%	3.6%
June			15.5%	14.2%	3.6%	4.3%	2.8%	4.4%
July			9.4%	9.5%	4.2%	5.0%	3.5%	4.8%
August			8.4%	8.3%	3.9%	4.2%	3.8%	4.1%
September			8.0%	7.8%	3.3%	3.6%	3.5%	3.6%
October			7.3%	7.2%	3.2%	3.4%	3.2%	3.6%
November			7.3%	7.4%	2.8%	3.2%	3.3%	3.4%
December			8.1%	8.3%	2.9%	3.4%	2.9%	4.0%
Annual Average			9.5%	10.0%	3.4%	4.1%	3.3%	4.2%

RESIDENTIAL CHARACTERISTICS

There are 2,703 housing units located within the Village according to the 2010 U.S. Census of Population and Housing, of which 99.7% are year-round homes; 73.5% are owner-occupied. A breakdown of the dwelling units according to the U.S. Census 2015 – 2019 American Economic Characteristics is as follows:

Single Family	70.1%
Multi Family	21.1%
Mobile Home	8.8%

According to the U.S. Census 2015 – 2019 American Economic Characteristics, the median value of an owner-occupied residence in the Village is \$121,200.

INCOME CHARACTERISTICS

There were 2,773 households in the Village according to the U.S. Census 2015 – 2019 American Economic Characteristics, which had a median household income of \$53,225. A breakdown of the income for the Village's households is as follows:

<u>Income of Household</u>	<u>Number of Households</u>
Less than \$10,000	239
\$10,000 to \$14,999	145
\$15,000 to \$24,999	301
\$25,000 to \$34,999	298
\$35,000 to \$49,999	340
\$50,000 to \$74,999	681
\$75,000 to \$99,999	335
\$100,000 to \$149,999	203
\$150,000 or more	231

The per capita income for the Village according to the U.S. Census 2015 – 2019 American Economic Characteristics was \$30,164.

AGE STATISTICS

Age groups for the Village's residents, according to the 2000 and 2010 U.S. Census, American Economic Characteristics, are as follows:

	2000 US Census <u>Percentage</u>	2010 US Census <u>Percentage</u>
Under 5 Years	8.3%	7.1%
5 to 19 Years	21.0%	20.8%
20 to 24 Years	6.1%	5.8%
25 to 44 Years	35.6%	28.8%
45 to 64 Years	17.8%	24.9%
Over 65 Years	11.3%	12.6%

EDUCATIONAL CHARACTERISTICS

The primary and secondary educational needs of the residents of the Village are adequately handled by the Holly public school district which serves the Village. Higher educational opportunities are available at the following institutions, which are located within driving distance of the Village's residents:

Baker College of Flint	Davenport University	Kettering University
Mott Community College		University of Michigan, Flint

According to the U.S. Census 2015 – 2019 American Economic Characteristics, the educational characteristics for the Village are as follows:

<u>Years of School Completed</u>	<u>Persons 25 and Over</u>
Less than 9th grade	2.6%
9th to 12th grade no diploma	8.4%
High School graduate	26.7%
Some college, no degree	28.7%
Associate degree	11.8%
Bachelor's degree	12.0%
Graduate or professional degree	9.8%

UTILITIES

The Village's water source comes from three (3) wells and sewage treatment is through the Village's Water Supply treatment plant. Electric service and natural gas is provided by Consumers Energy.

TRANSPORTATION

The Village is easily accessible via Interstate Highway 75 to the west. Bus service is provided by Greyhound. General aviation air service is available at Bishop International Airport, which is approximately sixteen (16) miles northwest of the Village.

BANKING

The banking needs of the Village's residents can be adequately served by Bank of America, FirstMerit Bank and the State Bank.

Source: Village of Holly

**VILLAGE OF HOLLY
GENERAL FUND BUDGET SUMMARY
FISCAL YEAR ENDING JUNE 30, 2021**

FUND	General Fund	Total Budget
REVENUES		
Dept 000		
General Fund	3,332,049	3,332,049
Totals for dept 000-	3,332,049	3,332,049
TOTAL REVENUES	3,332,049	3,332,049
EXPENDITURES		
Dept 101-VILLAGE COUNCIL		
General Fund	8,442	8,442
Totals for dept 101-VILLAGE COUNCIL	8,442	8,442
Dept 172-VILLAGE MANAGER		
General Fund	70,807	70,807
Totals for dept 172-VILLAGE MANAGER	70,807	70,807
Dept 208-PARKS & REC		
General Fund	36,650	36,650
Totals for dept 208-PARKS & REC	36,650	36,650
Dept 209-CEMETERY		
General Fund	21,458	21,458
Totals for dept 209-CEMETERY	21,458	21,458
Dept 210-ATTORNEY		
General Fund	16,000	16,000
Totals for dept 210-ATTORNEY	16,000	16,000
Dept 250-BUILDING FUND		
General Fund	128,566	128,566
Totals for dept 250-BUILDING FUND	128,566	128,566
Dept 258-DATA PROCESSING		
General Fund	18,500	18,500
Totals for dept 258-DATA PROCESSING	18,500	18,500
Dept 260-CLERK-TREASURER		
General Fund	139,959	139,959
Totals for dept 260-CLERK-TREASURER	139,959	139,959
Dept 265-BUILDING & GROUND		
General Fund	101,550	101,550
Totals for dept 265-BUILDING & GROUND	101,550	101,550
Dept 300-POLICE DEPARTMENT		
General Fund	1,398,362	1,398,362
Totals for dept 300-POLICE DEPARTMENT	1,398,362	1,398,362
Dept 325-Dispatch		
General Fund	144,876	144,876
Totals for dept 325-Dispatch	144,876	144,876
Dept 335-FIRE DEPARTMENT		
General Fund	761,590	761,590
Totals for dept 335-FIRE DEPARTMENT	761,590	761,590
Dept 371-Community Development		
General Fund	26,650	26,650
Totals for dept 371-Community Development	26,650	26,650
Dept 440-PUBLIC WORKS DEPARTMENT		
General Fund	278,132	278,132
Totals for dept 440-PUBLIC WORKS DEPARTMENT	278,132	278,132
Dept 896-NON-DEPARTMENTAL		
General Fund	151,900	151,900
Totals for dept 896-NON-DEPARTMENTAL	151,900	151,900
TOTAL EXPENDITURE	3,303,442	3,303,442
NET OF REVENUES/APPROPRIATIONS - FUND 101	28,607	28,607
Change In Fund	28,607	
Balance		

**VILLAGE OF HOLLY
FINANCIAL REPORT WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2020**

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Village of Holly, Michigan

**Financial Report
with Supplemental Information
June 30, 2020**

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Independent Auditor's Report

To the Village Council
Village of Holly, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2020 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Holly, Michigan as of June 30, 2020 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 Village Council
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 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 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

November 4, 2020

Our discussion and analysis provided here are intended to serve as an introduction to the Village of Holly, Michigan's (the "Village") basic financial statements. The Village's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

Using This Annual Report

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

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

The Village's Net Position

	Governmental Activities			
	2019	2020	Change	Percent Change
Assets				
Current and other assets	\$ 2,060,479	\$ 1,876,233	\$ (184,246)	(8.9)
Capital assets	2,963,974	2,817,513	(146,461)	(4.9)
Total assets	5,024,453	4,693,746	(330,707)	(6.6)
Deferred Outflows of Resources	641,116	527,476	(113,640)	(17.7)
Liabilities				
Current liabilities	123,160	148,890	25,730	20.9
Noncurrent liabilities	5,082,345	5,187,879	105,534	2.1
Total liabilities	5,205,505	5,336,769	131,264	2.5
Deferred Inflows of Resources	11,776	51,275	39,499	335.4
Net Position (Deficit)				
Net investment in capital assets	2,963,974	2,817,513	(146,461)	(4.9)
Restricted	573,438	743,846	170,408	29.7
Unrestricted	(3,089,124)	(3,728,181)	(639,057)	20.7
Total net position (deficit)	\$ 448,288	\$ (166,822)	\$ (615,110)	(137.2)

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

	Business-type Activities			
	2019	2020	Change	Percent Change
Assets				
Current and other assets	\$ 5,931,806	\$ 6,116,942	\$ 185,136	3.1
Capital assets	27,942,368	27,416,044	(526,324)	(1.9)
Total assets	33,874,174	33,532,986	(341,188)	(1.0)
Deferred Outflows of Resources	634,389	517,230	(117,159)	(18.5)
Liabilities				
Current liabilities	378,589	166,804	(211,785)	(55.9)
Noncurrent liabilities	12,177,285	11,021,557	(1,155,728)	(9.5)
Total liabilities	12,555,874	11,188,361	(1,367,513)	(10.9)
Deferred Inflows of Resources	7,851	34,183	26,332	335.4
Net Position				
Net investment in capital assets	19,297,401	19,943,290	645,889	3.3
Restricted	-	733,000	733,000	-
Unrestricted	2,647,437	2,151,382	(496,055)	(18.7)
Total net position	<u>\$ 21,944,838</u>	<u>\$ 22,827,672</u>	<u>\$ 882,834</u>	4.0

Total governmental net position decreased by 137.2 percent from a year ago, from \$448,288 to \$(166,822). Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, decreased by \$639,057 for governmental activities. This represents a decrease of approximately 20.7 percent. The current level of unrestricted net position for our governmental activities stands at \$(3,728,181), or (80.1) percent of governmental activities expenses.

The Village's business-type activities consist of the Water Fund and Sewer Fund. We provide water to residents from village wells and sewage treatment through a sewage treatment plant owned and operated by the Village. The net position of business-type activities increased by 4.0 percent from a year ago, increasing from \$21,944,838 to \$22,827,672. Unrestricted net position, the portion of net position that can be used to finance day-to-day operations, increased by \$496,055, or 18.7 percent. The current level of unrestricted net position stands at \$2,151,382, or about 56.7 percent of annual expenses, including depreciation and interest expenses.

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

The Village's Changes in Net Position

	Governmental Activities			
	2019	2020	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 714,738	\$ 889,556	\$ 174,818	24.5
Operating grants	656,640	658,467	1,827	0.3
Capital grants	72,156	5,468	(66,688)	(92.4)
General revenue:				
Property taxes	1,400,038	1,452,718	52,680	3.8
State-shared revenue	633,059	618,897	(14,162)	(2.2)
Investment earnings	18,530	14,967	(3,563)	(19.2)
Other revenue	337,996	377,694	39,698	11.7
Total revenue	3,833,157	4,017,767	184,610	4.8
Expenses				
General government	484,012	470,112	(13,900)	(2.9)
Public safety	2,216,194	2,709,800	493,606	22.3
Public works	1,484,106	1,305,853	(178,253)	(12.0)
Community and economic development	103,138	79,382	(23,756)	(23.0)
Recreation and culture	62,518	78,425	15,907	25.4
Total expenses	4,349,968	4,643,572	293,604	6.7
Transfers	-	10,695	10,695	-
Change in Net Position	(516,811)	(615,110)	(98,299)	19.0
Net Position - Beginning of year	965,099	448,288	(516,811)	(53.6)
Net Position (Deficit) - End of year	<u>\$ 448,288</u>	<u>\$ (166,822)</u>	<u>\$ (615,110)</u>	(137.2)

	Business-type Activities			
	2019	2020	Change	Percent Change
Revenue				
Program revenue:				
Charges for services	\$ 4,123,155	\$ 4,252,393	\$ 129,238	3.1
Capital grants	342,368	345,996	3,628	1.1
General revenue	74,245	89,032	14,787	19.9
Total revenue	4,539,768	4,687,421	147,653	3.3
Expenses				
Sewer Fund	2,344,487	2,387,661	43,174	1.8
Water Fund	1,306,484	1,403,380	96,896	7.4
Community Center Fund	19,822	2,851	(16,971)	(85.6)
Total expenses	3,670,793	3,793,892	123,099	3.4
Transfers	-	(10,695)	(10,695)	-
Change in Net Position	868,975	882,834	13,859	1.6
Net Position - Beginning of year, as adjusted	21,075,863	21,944,838	868,975	4.1
Net Position - End of year	<u>\$ 21,944,838</u>	<u>\$ 22,827,672</u>	<u>\$ 882,834</u>	4.0

Village of Holly, Michigan

Management's Discussion and Analysis (Continued)

The Village's total governmental revenue increased by \$184,610 primarily due to the trend in property tax values increasing. Expenses increased by \$293,604 during the year primarily due to increases in public safety for costs related to the village fire and police units.

The Village's business-type activities consist of the Water Fund and Sewer Fund. Total revenue for the Village's business-type activities increased by \$147,653 due to an increase in charges for services. Total expenses increased by \$123,099 from the prior year primarily due to salary and wage increases from the adoption of the new collective bargaining agreements.

Financial Analysis of Individual Funds

Our analysis of the Village's funds begins on page 11, 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 2020 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 67.2 percent of the total General Fund expenditures.

The fund balance of the General Fund decreased by \$366,717 during the year. This decrease is directly related to the increase in public safety expenditures.

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account various revenue and expenditure changes. The budget for public safety was increased from \$2,020,016 to \$2,358,223 during the year to account for the new collective bargaining agreements.

Capital Assets and Debt Administration

During 2020, the Village had various infrastructure projects, and the majority of the governmental activities capital asset purchases of approximately \$270,000 were related to the various equipment purchases, road repairs, and emergency vehicles. Business-type activities added approximately \$530,000 to assets this year in construction projects and equipment.

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

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

Economic Factors and Next Year's Budgets and Rates

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

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

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. While the COVID-19 pandemic could have an adverse effect on the Village's operations over time, no impairments were recorded as of the statement of net position/balance sheet date, as no triggering events or changes in circumstances had occurred as of year end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. There is an expectation that the Village's revenue could be reduced in fiscal year 2021. The Village is currently evaluating the impact of COVID-19, but the extent of the impact cannot be reasonably estimated at this time.

Requests for Further Information

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

Village of Holly, Michigan

Statement of Net Position

June 30, 2020

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	\$ 1,692,610	\$ 4,587,899	\$ 6,280,509	\$ 207,159
Receivables	237,335	711,897	949,232	166
Internal balances (Note 6)	(53,712)	53,712	-	-
Inventory	-	30,434	30,434	-
Restricted assets (Note 1)	-	733,000	733,000	-
Capital assets:				
Assets not subject to depreciation (Note 5)	349,665	50,000	399,665	-
Assets subject to depreciation - Net (Note 5)	2,467,848	27,366,044	29,833,892	33,767
Total assets	4,693,746	33,532,986	38,226,732	241,092
Deferred Outflows of Resources				
Deferred charges on bond refunding (Note 7)	-	165,587	165,587	-
Deferred pension costs (Note 9)	515,094	343,388	858,482	-
Deferred OPEB costs (Note 10)	12,382	8,255	20,637	-
Total deferred outflows of resources	527,476	517,230	1,044,706	-
Liabilities				
Accounts payable	74,946	7,919	82,865	2,570
Accrued liabilities and other	73,944	158,885	232,829	1,991
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	153,877	27,199	181,076	-
Current portion of long-term debt	-	335,000	335,000	-
Due in more than one year:				
Current portion of long-term debt - Funded by noncurrent assets (Note 7)	-	725,000	725,000	-
Net pension liability (Note 9)	4,878,425	3,252,272	8,130,697	-
Net OPEB liability (Note 10)	155,577	103,745	259,322	-
Long-term debt (Note 7)	-	6,578,341	6,578,341	-
Total liabilities	5,336,769	11,188,361	16,525,130	4,561
Deferred Inflows of Resources - Pension deferred inflows	51,275	34,183	85,458	-
Net Position (Deficit)				
Net investment in capital assets	2,817,513	19,943,290	22,760,803	33,767
Restricted:				
Streets and highways	668,251	-	668,251	-
Lake improvement	5,390	-	5,390	-
Rubbish	70,205	-	70,205	-
Bond reserve	-	733,000	733,000	-
Unrestricted	(3,728,181)	2,151,382	(1,576,799)	202,764
Total net position (deficit)	\$ (166,822)	\$ 22,827,672	\$ 22,660,850	\$ 236,531

Village of Holly, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 470,112	\$ 2,154	\$ 600	\$ -
Public safety:				
Police	1,588,574	58,465	1,774	-
Fire	871,310	356,119	-	-
Dispatch	130,075	-	-	-
Building inspections and related	119,841	71,724	-	-
Public works:				
Streets	571,656	-	612,858	-
Other public works activities	365,410	19,338	-	5,468
Rubbish disposal	355,263	334,620	-	-
Cemetery	7,922	16,450	-	-
Lake maintenance	5,602	-	-	-
Community and economic development	79,382	30,686	43,235	-
Recreation and culture	78,425	-	-	-
Total governmental activities	4,643,572	889,556	658,467	5,468
Business-type activities:				
Sewer Fund	2,387,661	2,589,020	-	209,992
Water Fund	1,403,380	1,662,669	-	136,004
Community Center Fund	2,851	704	-	-
Total business-type activities	3,793,892	4,252,393	-	345,996
Total primary government	<u>\$ 8,437,464</u>	<u>\$ 5,141,949</u>	<u>\$ 658,467</u>	<u>\$ 351,464</u>
Component units	<u>\$ 101,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Cable franchise fees				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position (Deficit) - End of year				

Statement of Activities

Year Ended June 30, 2020

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (467,358)	\$ -	\$ (467,358)	\$ -
(1,528,335)	-	(1,528,335)	-
(515,191)	-	(515,191)	-
(130,075)	-	(130,075)	-
(48,117)	-	(48,117)	-
41,202	-	41,202	-
(340,604)	-	(340,604)	-
(20,643)	-	(20,643)	-
8,528	-	8,528	-
(5,602)	-	(5,602)	-
(5,461)	-	(5,461)	-
(78,425)	-	(78,425)	-
(3,090,081)	-	(3,090,081)	-
-	411,351	411,351	-
-	395,293	395,293	-
-	(2,147)	(2,147)	-
-	804,497	804,497	-
(3,090,081)	804,497	(2,285,584)	-
-	-	-	(101,219)
1,452,718	-	1,452,718	158,375
618,897	-	618,897	-
14,967	89,032	103,999	-
87,929	-	87,929	-
289,765	-	289,765	16,950
2,464,276	89,032	2,553,308	175,325
10,695	(10,695)	-	-
(615,110)	882,834	267,724	74,106
448,288	21,944,838	22,393,126	162,425
\$ (166,822)	\$ 22,827,672	\$ 22,660,850	\$ 236,531

Village of Holly, Michigan

Governmental Funds Balance Sheet

June 30, 2020

	General Fund	Major Streets Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 882,129	\$ 654,019	\$ 156,462	\$ 1,692,610
Receivables:				
Property taxes receivable	82	-	-	82
Special assessments receivable	1,552	-	3,735	5,287
Other receivables	27,317	-	-	27,317
Due from other governments	104,658	59,580	40,411	204,649
Total assets	<u>\$ 1,015,738</u>	<u>\$ 713,599</u>	<u>\$ 200,608</u>	<u>\$ 1,929,945</u>
Liabilities				
Accounts payable	\$ 46,466	\$ 548	\$ 27,932	\$ 74,946
Advances from other funds (Note 6)	53,712	-	-	53,712
Accrued liabilities and other	69,092	2,841	2,011	73,944
Total liabilities	169,270	3,389	29,943	202,602
Deferred Inflows of Resources - Unavailable revenue	1,436	-	1,240	2,676
Total liabilities and deferred inflows of resources	170,706	3,389	31,183	205,278
Fund Balances				
Restricted:				
Roads	-	597,768	70,483	668,251
Lake improvement	-	-	4,150	4,150
Solid waste	-	-	70,205	70,205
Committed - Cemetery care	142,860	-	-	142,860
Assigned:				
Tri party	34,779	-	-	34,779
Sidewalks	145,370	-	-	145,370
Roads	-	112,442	-	112,442
Mill pond	150,000	-	-	150,000
Senior transportation	-	-	24,587	24,587
Unassigned	372,023	-	-	372,023
Total fund balances	845,032	710,210	169,425	1,724,667
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,015,738</u>	<u>\$ 713,599</u>	<u>\$ 200,608</u>	<u>\$ 1,929,945</u>

Village of Holly, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2020

Fund Balances Reported in Governmental Funds	\$ 1,724,667
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	2,817,513
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the fund	2,676
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(153,877)
Pension benefits (net of any deferred inflows and outflows)	(4,414,606)
Retiree health care benefits (net of any deferred inflows and outflows)	(143,195)
Net Position (Deficit) of Governmental Activities	\$ (166,822)

Village of Holly, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2020

	General Fund	Major Streets Fund	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 1,452,718	\$ -	\$ -	\$ 1,452,718
Special assessments	-	-	340,088	340,088
Intergovernmental:				
Federal grants	8,381	10,466	45,320	64,167
State-shared revenue and grants	622,445	426,897	165,029	1,214,371
Charges for services	580,796	-	9,018	589,814
Fines and forfeitures	6,984	-	-	6,984
Licenses and permits	97,201	-	-	97,201
Investment income	10,909	3,759	299	14,967
Other revenue:				
Local donations	-	3,040	-	3,040
Miscellaneous income	386,008	-	815	386,823
Total revenue	3,165,442	444,162	560,569	4,170,173
Expenditures				
Current services:				
General government	508,846	-	-	508,846
Public safety	2,381,184	-	-	2,381,184
Public works	330,441	273,549	516,902	1,120,892
Senior transportation	-	-	57,539	57,539
Community and economic development	22,208	-	-	22,208
Recreation and culture	60,835	-	-	60,835
Capital outlay	239,340	-	-	239,340
Total expenditures	3,542,854	273,549	574,441	4,390,844
Other Financing Sources - Transfer in	10,695	-	-	10,695
Excess of Revenue (Under) Over Expenditures	(366,717)	170,613	(13,872)	(209,976)
Fund Balances - Beginning of year	1,211,749	539,597	183,297	1,934,643
Fund Balances - End of year	<u>\$ 845,032</u>	<u>\$ 710,210</u>	<u>\$ 169,425</u>	<u>\$ 1,724,667</u>

Village of Holly, Michigan

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

Year Ended June 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ (209,976)
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	270,669
Depreciation expense	(417,130)
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	(25,910)
Change in the liability for other postemployment benefits is recorded when earned in the statement of activities	(13,994)
Change in the net pension liability and related deferred inflows and outflows are recorded when incurred in the statement of activities	(218,769)
Change in Net Position of Governmental Activities	<u>\$ (615,110)</u>

Proprietary Funds Statement of Net Position

June 30, 2020

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center Fund	Total Enterprise Funds
Assets				
Current assets:				
Cash and investments	\$ 1,447,994	\$ 3,139,905	\$ -	\$ 4,587,899
Receivables:				
Property taxes receivable	10,651	6,581	-	17,232
Other receivables	425,211	269,454	-	694,665
Inventory	30,434	-	-	30,434
Total current assets	1,914,290	3,415,940	-	5,330,230
Noncurrent assets:				
Restricted assets	452,500	280,500	-	733,000
Advances to other funds	-	53,712	-	53,712
Capital assets:				
Assets not subject to depreciation	50,000	-	-	50,000
Assets subject to depreciation - Net	18,061,921	9,304,123	-	27,366,044
Total noncurrent assets	18,564,421	9,638,335	-	28,202,756
Total assets	20,478,711	13,054,275	-	33,532,986
Deferred Outflows of Resources				
Deferred charges on bond refunding	73,494	92,093	-	165,587
Deferred pension costs	197,451	145,937	-	343,388
Deferred OPEB costs	4,747	3,508	-	8,255
Total deferred outflows of resources	275,692	241,538	-	517,230
Liabilities				
Current liabilities:				
Accounts payable	-	7,919	-	7,919
Accrued liabilities and other	99,540	59,345	-	158,885
Compensated absences	19,858	7,341	-	27,199
Current portion of long-term debt	257,500	77,500	-	335,000
Total current liabilities	376,898	152,105	-	529,003
Noncurrent liabilities:				
Current portion of long-term debt - Funded by noncurrent assets	452,500	272,500	-	725,000
Net pension liability	1,870,059	1,382,213	-	3,252,272
Net OPEB liability	59,653	44,092	-	103,745
Long-term debt	4,038,643	2,539,698	-	6,578,341
Total noncurrent liabilities	6,420,855	4,238,503	-	10,659,358
Deferred Inflows of Resources - Pension deferred inflows	19,655	14,528	-	34,183
Net Position				
Net investment in capital assets	13,436,772	6,506,518	-	19,943,290
Restricted - Bond reserve	452,500	280,500	-	733,000
Unrestricted	47,723	2,103,659	-	2,151,382
Total net position	\$ 13,936,995	\$ 8,890,677	\$ -	\$ 22,827,672

Village of Holly, Michigan

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

Year Ended June 30, 2020

	Enterprise Funds			Total Enterprise Funds
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center Fund	
Operating Revenue				
Sale of water	\$ -	\$ 1,060,789	\$ -	\$ 1,060,789
Sewage disposal charges	1,627,611	-	-	1,627,611
Interest and penalty charges	27,142	16,625	-	43,767
Recoveries	17,138	40,438	-	57,576
Sales and rentals	-	-	704	704
Charges to other funds	-	7,275	-	7,275
Total operating revenue	1,671,891	1,125,127	704	2,797,722
Operating Expenses				
Water treatment and transmission	-	890,717	-	890,717
Wastewater treatment	1,445,065	-	-	1,445,065
Other operation and maintenance	-	-	896	896
Billing and administrative costs	79,785	71,546	-	151,331
Depreciation	715,382	338,419	-	1,053,801
Total operating expenses	2,240,232	1,300,682	896	3,541,810
Operating Loss	(568,341)	(175,555)	(192)	(744,088)
Nonoperating Revenue (Expense)				
Investment income	12,238	76,719	75	89,032
Interest expense	(147,429)	(102,698)	-	(250,127)
Other nonoperating expenses	-	-	(1,955)	(1,955)
Debt service charge	917,129	516,554	-	1,433,683
Cell tower leases	-	20,988	-	20,988
Total nonoperating revenue (expense)	781,938	511,563	(1,880)	1,291,621
Income (Loss) - Before capital contributions	213,597	336,008	(2,072)	547,533
Capital Contributions				
Capital grants	36,360	3,985	-	40,345
Tap-in fees	173,632	132,019	-	305,651
Total capital contributions	209,992	136,004	-	345,996
Transfers Out	-	-	(10,695)	(10,695)
Change in Net Position	423,589	472,012	(12,767)	882,834
Net Position - Beginning of year	13,513,406	8,418,665	12,767	21,944,838
Net Position - End of year	<u>\$ 13,936,995</u>	<u>\$ 8,890,677</u>	<u>\$ -</u>	<u>\$ 22,827,672</u>

Village of Holly, Michigan

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2020

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center Fund	Total Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,573,100	\$ 1,048,557	\$ 704	\$ 2,622,361
Payments to suppliers	(747,163)	(341,746)	-	(1,088,909)
Payments to employees and fringes	(750,592)	(531,232)	(896)	(1,282,720)
Payments to other funds	(97,085)	(31,028)	-	(128,113)
Other receipts (payments)	9,760	(5,562)	-	4,198
Net cash and cash equivalents (used in) provided by operating activities	(11,980)	138,989	(192)	126,817
Cash Flows from Noncapital Financing Activities				
Cell tower lease	-	20,988	-	20,988
Transfers and payments to close out fund	-	-	(12,650)	(12,650)
Net cash and cash equivalents provided by (used in) noncapital financing activities	-	20,988	(12,650)	8,338
Cash Flows from Capital and Related Financing Activities				
Receipt of capital grants	36,360	3,985	-	40,345
Tap-in fees	173,632	132,019	-	305,651
Purchase of capital assets	(431,744)	(95,733)	-	(527,477)
Principal and interest paid on capital debt	(894,325)	(543,978)	-	(1,438,303)
Debt service charge	917,129	516,554	-	1,433,683
Net cash and cash equivalents (used in) provided by capital and related financing activities	(198,948)	12,847	-	(186,101)
Cash Flows Provided by Investing Activities -				
Interest received on investments	12,238	76,719	75	89,032
Net (Decrease) Increase in Cash and Cash Equivalents	(198,690)	249,543	(12,767)	38,086
Cash and Cash Equivalents - Beginning of year	2,099,184	3,170,862	12,767	5,282,813
Cash and Cash Equivalents - End of year	\$ 1,900,494	\$ 3,420,405	\$ -	\$ 5,320,899
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,447,994	\$ 3,139,905	\$ -	\$ 4,587,899
Restricted assets	452,500	280,500	-	733,000
Total cash and cash equivalents	\$ 1,900,494	\$ 3,420,405	\$ -	\$ 5,320,899

See notes to financial statements.

Village of Holly, Michigan

Proprietary Funds Statement of Cash Flows (Continued)

Year Ended June 30, 2020

	Enterprise Funds			
	Sewer Fund	Water Fund	Nonmajor Enterprise - Community Center Fund	Total Enterprise Funds
Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities				
Operating loss	\$ (568,341)	\$ (175,555)	\$ (192)	\$ (744,088)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	715,382	338,419	-	1,053,801
Changes in assets and liabilities:				
Receivables	(89,031)	(74,857)	-	(163,888)
Due to and from other funds	-	16,838	-	16,838
Accrued liabilities and other	93,568	73,157	-	166,725
Accounts payable	(163,558)	(39,013)	-	(202,571)
Total adjustments	556,361	314,544	-	870,905
Net cash and cash equivalents (used in) provided by operating activities	<u>\$ (11,980)</u>	<u>\$ 138,989</u>	<u>\$ (192)</u>	<u>\$ 126,817</u>

Village of Holly, Michigan

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2020

	Retiree Health Care Fund (Employee Benefits Fund)	Agency Fund
Assets		
Cash and cash equivalents	\$ 44,262	\$ 232,597
Investments:		
Certificates of deposit	43,500	-
Mutual funds	318,626	-
Total assets	406,388	<u><u>\$ 232,597</u></u>
Liabilities		
Refundable deposits, bonds, etc.	-	\$ 164,139
Other miscellaneous liabilities	-	68,458
Total liabilities	-	<u><u>\$ 232,597</u></u>
Net Position Held in Trust for Retiree Health Care Benefits	<u><u>\$ 406,388</u></u>	

Village of Holly, Michigan**Fiduciary Funds
Statement of Changes in Fiduciary Net Position****Year Ended June 30, 2020**

	<u>Retiree Health Care Fund (Employee Benefits Fund)</u>
Additions	
Investment income - Net increase in fair value of investments	\$ 6,347
Contributions:	
Employer contributions	15,410
Employee contributions	<u>9,004</u>
Total contributions	<u>24,414</u>
Total additions	30,761
Deductions - Benefit payments	<u>22,523</u>
Net Increase in Net Position Held in Trust	8,238
Net Position Held in Trust for Retiree Health Care Benefits - Beginning of year	<u>398,150</u>
Net Position Held in Trust for Retiree Health Care Benefits - End of year	<u><u>\$ 406,388</u></u>

Note 1 - Significant Accounting Policies

Reporting Entity

The Village of Holly, Michigan (the "Village") is governed by an elected seven-member council. The accompanying financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

Discretely Presented Component Units

Downtown Development Authority

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

Economic Development Corporation

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

Accounting and Reporting Principles

The Village follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Village:

Report Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the Village's water and sewer functions and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Note 1 - Significant Accounting Policies (Continued)

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

Fund Accounting

The Village accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Village to show the particular expenditures for which specific revenue is used. The various funds are aggregated into the following fund types:

Governmental Funds

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

- The Retiree Health Care Fund (Employee Benefits Fund) accumulates resources for future retiree health care payments to retirees.
- 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.

Note 1 - Significant Accounting Policies (Continued)

Interfund Activity

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

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

Basis of Accounting

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

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

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

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

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments

Investments are reported at fair value or estimated fair value.

June 30, 2020

Note 1 - Significant Accounting Policies (Continued)**Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The revenue bonds of the enterprise funds require amounts to be set aside for debt service principal and interest and a bond reserve. These amounts, totaling \$733,000, have been classified as restricted assets in the current year.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then.

Note 1 - Significant Accounting Policies (Continued)

At June 30, 2020, the Village reported deferred outflows of resources for payments made to the pension plan after the measurement date and for changes in assumptions related to economic and demographic factors related to the total pension liability (see the table in Note 9 related to when amounts related to pensions will be recognized in pension expense). There are also deferred outflows reported for the OPEB plan that are detailed in Note 10. The Village also reported deferred outflows of \$73,494 in the Sewer Fund and \$92,093 in the Water Fund related to deferred charges on the refunding of revenue bonds.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The Village reports deferred inflows of resources related to pensions, as detailed in Note 9. 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 in the governmental funds for \$2,676.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

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

Property Tax Revenue

Property taxes are levied on 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 2019 property tax revenue was levied and collectible on December 1, 2019 and is recognized as revenue in the year ended June 30, 2020 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2019 taxable valuation of the Village totaled \$116.8 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 12.4472 mills for operating purposes. This resulted in approximately \$1,500,000 for operations. These amounts are recognized in the respective General Fund financial statements as tax revenue.

Pension

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

Other Postemployment Benefit Costs

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

June 30, 2020**Note 1 - Significant Accounting Policies (Continued)****Compensated Absences (Vacation and Sick Leave)**

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

Proprietary Funds Operating Classification

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

Use of Estimates

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

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Village's financial statements for the year ended June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the Governmental Accounting Standards Board issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the Village's financial statements for the year ending June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 1 - Significant Accounting Policies (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement were originally effective for the Village's financial statements for the June 30, 2021 fiscal year but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

The Village oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Village charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2019	\$ (222,783)
Current year permit revenue	71,399
Related expenses - Direct costs	<u>(119,841)</u>
Current year shortfall	<u>(48,442)</u>
Cumulative shortfall June 30, 2020	<u><u>\$ (271,225)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Health Care Fund is established through Public Act 149 of 1999. This act authorizes the fund, in accordance with Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village, including component units, had \$2,775,049 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.

At year end, the Village had the following investments:

Investment	Fair Value	Weighted-average Maturity
Primary Government		
Oakland County Government Investment Pool	\$ 4,007,306	334 days

Investment	Fair Value	Weighted-average Maturity
Fiduciary Funds		
Mutual funds	\$ 318,626	Not available

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of June 30, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Oakland County Government Investment Pool	\$ 4,007,306	N/A	N/A
Investment	Fair Value	Rating	Rating Organization
Fiduciary Funds			
Mutual funds	\$ 318,626	N/A	N/A

Note 4 - Fair Value Measurements

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

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

The Village has the following recurring fair value measurements as of June 30, 2020:

- Primary government - Investment pools of \$4,007,306 are valued using a matrix pricing model (Level 2 inputs).
- Fiduciary funds - Mutual funds of \$318,626 are valued using quoted prices (Level 1 inputs).

The fair value of the Oakland County Investment Pool at June 30, 2020 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.

Note 5 - Capital Assets

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

Governmental Activities

	Balance July 1, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
Capital assets not being depreciated - Land	\$ 349,665	\$ -	\$ -	\$ 349,665
Capital assets being depreciated:				
Roads and sidewalks	9,979,393	-	-	9,979,393
Buildings and improvements	2,010,444	222,776	-	2,233,220
Office furnishings and equipment	959,185	34,207	-	993,392
Vehicles	1,686,454	13,686	-	1,700,140
Subtotal	14,635,476	270,669	-	14,906,145
Accumulated depreciation:				
Roads and sidewalks	8,945,024	238,568	-	9,183,592
Buildings and improvements	965,952	58,772	-	1,024,724
Office furnishings and equipment	738,710	46,382	-	785,092
Vehicles	1,371,481	73,408	-	1,444,889
Subtotal	12,021,167	417,130	-	12,438,297
Net capital assets being depreciated	2,614,309	(146,461)	-	2,467,848
Net governmental activities capital assets	\$ 2,963,974	\$ (146,461)	\$ -	\$ 2,817,513

June 30, 2020

Note 5 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2019	Reclassifications	Additions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	186,153	(198,955)	12,802	-
Subtotal	236,153	(198,955)	12,802	50,000
Capital assets being depreciated:				
Water and sewer distribution system	46,529,658	198,955	387,432	47,116,045
Office furnishings and equipment	1,959,165	-	127,243	2,086,408
Buildings and improvements	98,664	-	-	98,664
Subtotal	48,587,487	198,955	514,675	49,301,117
Accumulated depreciation:				
Water and sewer distribution system	19,875,968	-	931,387	20,807,355
Office furnishings and equipment	999,725	-	120,441	1,120,166
Buildings and improvements	5,579	-	1,973	7,552
Subtotal	20,881,272	-	1,053,801	21,935,073
Net capital assets being depreciated	27,706,215	198,955	(539,126)	27,366,044
Net business-type activities capital assets	\$ 27,942,368	\$ -	\$ (526,324)	\$ 27,416,044

Capital asset activity for the Village's component unit for the year ended June 30, 2020 was as follows:

Component Unit

	Balance July 1, 2019	Additions	Balance June 30, 2020
Capital assets being depreciated - Office furnishings and equipment	\$ 13,250	\$ 24,900	\$ 38,150
Accumulated depreciation	-	4,383	4,383
Net capital assets	\$ 13,250	\$ 20,517	\$ 33,767

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

Governmental activities:	
General government	\$ 30,151
Public safety	123,250
Public works	261,626
Recreation and culture	2,103
Total governmental activities	\$ 417,130

June 30, 2020

Note 5 - Capital Assets (Continued)

Business-type activities:	
Water Fund	\$ 338,419
Sewer Fund	715,382
	<u>1,053,801</u>
Total business-type activities	\$ 1,053,801
Component unit activities - DDA - Economic development	\$ 4,383

Note 6 - Interfund Receivables, Payables, and Transfers

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

Fund Borrowed From	Fund Loaned To	Amount
Water Fund	General Fund	\$ 53,712

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

Interfund transfers reported in the fund financial statements to close out the Community Center Fund are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Community Center Fund	General Fund	\$ 10,695

Note 7 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village when issued. County contractual agreements and installment purchase agreements are also general obligations of the Village when issued. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties that benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Village is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the Village) are received. The Village does not currently have any county contractual agreements, installment purchase agreements, or special assessment bonds. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Compensated absences	\$ 127,967	\$ 111,485	\$ (85,575)	\$ 153,877	\$ 153,877

June 30, 2020

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Long-term debt:					
General obligation	\$ 2,460,000	\$ -	\$ (335,000)	\$ 2,125,000	\$ 335,000
Revenue bonds	6,030,000	-	(825,000)	5,205,000	725,000
Total debt principal outstanding	8,490,000	-	(1,160,000)	7,330,000	1,060,000
Unamortized bond premium on refunding series 2014 bond	98,814	-	(14,116)	84,698	-
Unamortized bond premium on refunding series 2014 bond	263,137	-	(39,494)	223,643	-
Compensated absences	22,389	16,199	(11,389)	27,199	27,199
Total business-type activities long-term debt	\$ 8,874,340	\$ 16,199	\$ (1,224,999)	\$ 7,665,540	\$ 1,087,199

The Village has no direct borrowings or direct placements of debt.

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. The Village has pledged 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 \$3,163,450. During the current year, net revenue of the water system was \$162,864, compared to the annual debt requirements of \$543,978.

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 \$2,682,575. During the current year, net revenue of the sewer system was \$147,041 compared to the annual debt requirements of \$470,400.

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Business-type Activities		
	Long-term Debt		
	Principal	Interest	Total
2021	\$ 1,060,000	\$ 246,378	\$ 1,552,756
2022	1,090,000	211,328	1,512,656
2023	1,075,000	173,901	1,422,802
2024	1,185,000	133,750	1,452,500
2025	1,240,000	88,800	1,328,800
2026-2030	1,680,000	49,019	1,729,019
Total	\$ 7,330,000	\$ 903,176	\$ 8,998,533

Note 8 - Risk Management

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

Note 9 - Pension Plan

Plan Description

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

Benefits Provided

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

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

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

June 30, 2020

Note 9 - Pension Plan (Continued)

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

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

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	December 31, 2019
Inactive plan members or beneficiaries currently receiving benefits	35
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	23
Total employees covered by MERS	67

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, 2020, the Village's average contribution rate was 19.67 percent, 54.23 percent, and 55.51 percent of annual pay for department heads, DPW/clerical employees, and police officers and command employees, respectively.

Net Pension Liability

The Village has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2020 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2019 measurement date. The December 31, 2019 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Note 9 - Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 14,701,299	\$ 6,670,357	\$ 8,030,942
Changes for the year:			
Service cost	174,556	-	174,556
Interest	1,144,107	-	1,144,107
Differences between expected and actual experience	(128,188)	-	(128,188)
Changes in assumptions	519,167	-	519,167
Contributions - Employer	-	718,816	(718,816)
Contributions - Employee	-	13,920	(13,920)
Net investment income	-	892,527	(892,527)
Benefit payments, including refunds	(974,536)	(974,536)	-
Administrative expenses	-	(15,376)	15,376
Net changes	735,106	635,351	99,755
Balance at December 31, 2019	\$ 15,436,405	\$ 7,305,708	\$ 8,130,697

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

For the year ended June 30, 2020, the Village recognized pension expense of \$1,105,821.

At June 30, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 86,526	\$ (85,458)
Changes in assumptions	346,109	-
Net difference between projected and actual earnings on pension plan investments	27,420	-
Employer contributions to the plan subsequent to the measurement date	398,427	-
Total	\$ 858,482	\$ (85,458)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions of \$398,427 made subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2021	\$ 195,491
2022	155,373
2023	94,879
2024	(71,146)
Total	\$ 374,597

Note 9 - Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases of 3.0 percent, an investment rate of return (net of investment expenses) of 7.6 percent, and the RP-2014 mortality tables.

The actuarial assumptions used in the December 31, 2019 actuarial valuation were based on the results of an actuarial experience study for the period from January 1, 2014 through December 31, 2018.

Assumption Changes

The December 31, 2018 actuarial valuation included assumptions of 3.75 percent for inflation and 8.00 percent for investment rate of return. The remaining assumptions were consistent with the current year's valuation assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2019, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private investments	20.00	6.56

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

The following presents the net pension liability of the Village, calculated using the discount rate of 7.6 percent, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the Village	\$ 9,843,207	\$ 8,130,697	\$ 6,681,967

June 30, 2020

Note 9 - Pension Plan (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 purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - Other Postemployment Benefit Plan***Plan Description***

The Village provides retiree health care benefits to eligible pre-Medicare retired employees and their spouses, with a 50 or 35 percent contribution required from the retirees. Currently, the plan has 28 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.

Benefits Provided

The Plan provides medical and prescription drug benefits for retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. Retirees receiving benefits are required to contribute 35 or 50 percent of the monthly premiums to the Plan.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	3
Active plan members	25
Total plan members	28

Contributions

Retiree health care costs are paid by the Village on a pay-as-you-go basis. The Village has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2020, the Village made payments for postemployment health benefit premiums of \$22,523.

Net OPEB Liability

The Village has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2020 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2020 measurement date. The June 30, 2020 measurement date total OPEB liability was determined by an actuarial valuation performed as of June 30, 2019.

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 624,531	\$ 398,150	\$ 226,381
Changes for the year:			
Service cost	21,110	-	21,110
Interest	30,259	-	30,259
Changes in assumptions	3,514	-	3,514
Contributions - Employer	-	13,571	(13,571)
Contributions - Employee	-	6,237	(6,237)
Net investment income	-	2,134	(2,134)
Benefit payments, including refunds	(19,808)	(19,808)	-
Net changes	35,075	2,134	32,941
Balance at June 30, 2020	<u>\$ 659,606</u>	<u>\$ 400,284</u>	<u>\$ 259,322</u>

The plan's fiduciary net position represents 60.8 percent of the total OPEB liability.

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

For the year ended June 30, 2020, the Village recognized OPEB expense of \$36,895.

At June 30, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 20,637	\$ -

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

Years Ending June 30	Amount
2021	\$ 7,216
2022	7,216
2023	2,839
2024	3,366
Total	<u>\$ 20,637</u>

June 30, 2020

Note 10 - Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions

The total OPEB liability was determined by utilizing the alternative measurement method as of June 30, 2020, using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

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

Marital Status and Dependency Status

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

Mortality

The June 30, 2020 mortality rates were based on the Pub-2010 General and Safety Headcount-weighted Mortality Tables with generational projection using the Projection Scale MP-2018. The June 30, 2019 mortality rates were based on the RP-2014 Mortality Tables projected back to 2006 base year using Projection Scale MP-2014 with generational projection using Projection Scale MP-2018.

Turnover

Nongroup-specific, age-based turnover data from GASB Statement No. 75 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health Care Cost Trend Rate

The expected rate of increase in health care insurance premiums was based on rates published by the state treasurer for the use under Michigan Public Act 202. A rate of 8.0 percent initially, reduced to an ultimate rate of 4.5 percent after 15 years, was used. In 2019, an initial rate of 8.5 percent was used.

Health Insurance Premiums

2020 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation Rate

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

Payroll Growth Rate

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

Investment Rate of Return

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

June 30, 2020

Note 10 - Other Postemployment Benefit Plan (Continued)

Discount Rate

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

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

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2020 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. Cash	(0.22)%
U.S. Core Fixed Income	0.92
U.S. Core Bonds	0.87
U.S. Mortgages	1.08
U.S. High Yield Bonds	3.86
Global Bonds	0.12
U.S. Large Caps	4.53
U.S. Equity Market	4.82
Global Equity	5.57
Emerging Markets Equity	8.35
U.S. REITs	5.32
Commodities	2.88

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

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

	1 Percentage Point Decrease (3.75%)	Current Discount Rate (4.75%)	1 Percentage Point Increase (5.75%)
Net OPEB liability	\$ 313,614	\$ 259,322	\$ 208,975

June 30, 2020

Note 10 - Other Postemployment Benefit Plan (Continued)***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate***

The following presents the net OPEB liability of the Village, calculated using the health care cost trend rate of 8.5 percent, as well as what the Village's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (7.5%)	Current Health Care Cost Trend Rate (8.5%)	1 Percentage Point Increase (9.5%)
Net OPEB liability	\$ 191,734	\$ 259,322	\$ 336,416

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB board's adopted asset allocation policy as of June 30, 2020:

Asset Class	Target Allocation
U.S. Cash	17.45 %
U.S. Core Fixed Income	39.64
U.S. Core Bonds	2.43
U.S. Mortgages	3.39
U.S. High Yield Bonds	6.04
Global Bonds	0.43
U.S. Large Caps	14.96
U.S. Equity Market	11.52
Global Equity	0.11
Emerging Markets Equity	0.29
U.S. REITs	2.49
Commodities	1.25
Total	100.00 %

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 0.53 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

June 30, 2020

Note 11 - Commitments

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

- July 1, 2020 through June 30, 2021 at \$13.92 per month per unit
- July 1, 2021 through June 30, 2022 at \$14.34 per month per unit
- July 1, 2022 through June 30, 2023 at \$14.77 per month per unit
- July 1, 2023 through June 30, 2024 at \$15.21 per month per unit

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

Required Supplemental Information

Village of Holly, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,473,909	\$ 1,472,093	\$ 1,452,718	\$ (19,375)
Intergovernmental:				
Federal grants	25,000	8,000	8,381	381
State-shared revenue and grants	639,430	554,864	622,445	67,581
Charges for services	619,750	552,075	580,796	28,721
Fines and forfeitures	11,000	7,075	6,984	(91)
Licenses and permits	116,050	97,929	97,201	(728)
Investment income	5,000	4,500	10,909	6,409
Other revenue	186,500	390,186	386,008	(4,178)
Total revenue	3,076,639	3,086,722	3,165,442	78,720
Expenditures				
Current services:				
General government	528,040	477,400	508,846	(31,446)
Public safety	2,020,016	2,358,223	2,381,184	(22,961)
Public works	303,939	314,617	330,441	(15,824)
Community and economic development	33,500	26,865	22,208	4,657
Recreation and culture	57,137	60,662	60,835	(173)
Capital outlay	119,901	242,443	239,340	3,103
Total expenditures	3,062,533	3,480,210	3,542,854	(62,644)
Other Financing Sources - Transfers in	-	10,690	10,695	5
Excess of Revenue Over (Under) Expenditures	14,106	(382,798)	(366,717)	16,081
Fund Balance - Beginning of year	1,211,749	1,211,749	1,211,749	-
Fund Balance - End of year	<u>\$ 1,225,855</u>	<u>\$ 828,951</u>	<u>\$ 845,032</u>	<u>\$ 16,081</u>

Village of Holly, Michigan**Required Supplemental Information
Budgetary Comparison Schedule - Major Special Revenue Fund
Major Streets Fund****Year Ended June 30, 2020**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Intergovernmental	\$ 423,831	\$ 390,466	\$ 437,363	\$ 46,897
Investment income	1,500	3,500	3,759	259
Other revenue	130,500	750	3,040	2,290
Total revenue	555,831	394,716	444,162	49,446
Expenditures				
Current services -				
Public works:				
Street construction	381,648	155,550	122,417	33,133
Winter maintenance	66,725	65,155	63,022	2,133
Streets	37,522	31,800	31,840	(40)
Administration	49,300	41,400	38,587	2,813
Tree maintenance	19,777	12,700	17,683	(4,983)
Total expenditures	554,972	306,605	273,549	33,056
Excess of Revenue Over Expenditures	859	88,111	170,613	82,502
Fund Balance - Beginning of year	539,597	539,597	539,597	-
Fund Balance - End of year	<u>\$ 540,456</u>	<u>\$ 627,708</u>	<u>\$ 710,210</u>	<u>\$ 82,502</u>

Village of Holly, Michigan

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

Last Five Plan Years

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 174,556	\$ 175,024	\$ 150,929	\$ 149,549	\$ 146,181
Interest	1,144,107	1,100,938	1,082,606	1,058,227	1,009,586
Changes in benefit terms	-	(9,870)	-	-	-
Differences between expected and actual experience	(128,188)	251,499	(58,880)	14,767	20,630
Changes in assumptions	519,167	-	-	-	680,433
Benefit payments, including refunds	(974,536)	(981,026)	(934,072)	(902,403)	(834,266)
Net Change in Total Pension Liability	735,106	536,565	240,583	320,140	1,022,564
Total Pension Liability - Beginning of year	14,701,299	14,164,734	13,924,151	13,604,011	12,581,447
Total Pension Liability - End of year	\$ 15,436,405	\$ 14,701,299	\$ 14,164,734	\$ 13,924,151	\$ 13,604,011
Plan Fiduciary Net Position					
Contributions - Employer	\$ 718,816	\$ 633,522	\$ 508,093	\$ 476,580	\$ 546,242
Contributions - Member	13,920	6,337	-	-	-
Net investment income (loss)	892,527	(273,847)	880,274	726,751	(102,696)
Administrative expenses	(15,376)	(13,823)	(13,975)	(14,366)	(15,059)
Benefit payments, including refunds	(974,536)	(981,026)	(934,072)	(902,403)	(834,266)
Net Change in Plan Fiduciary Net Position	635,351	(628,837)	440,320	286,562	(405,779)
Plan Fiduciary Net Position - Beginning of year	6,670,357	7,299,194	6,858,874	6,572,312	6,978,091
Plan Fiduciary Net Position - End of year	\$ 7,305,708	\$ 6,670,357	\$ 7,299,194	\$ 6,858,874	\$ 6,572,312
Village's Net Pension Liability - Ending	\$ 8,130,697	\$ 8,030,942	\$ 6,865,540	\$ 7,065,277	\$ 7,031,699
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	47.33 %	45.37 %	51.53 %	49.26 %	48.31 %
Covered Payroll	\$ 1,406,517	\$ 1,445,146	\$ 1,232,612	\$ 1,233,542	\$ 1,178,050
Village's Net Pension Liability as a Percentage of Covered Payroll	578.07 %	555.72 %	556.99 %	572.76 %	596.89 %

See notes to required supplemental information.

Village of Holly, Michigan

Required Supplemental Information Schedule of Pension Contributions

	Last Ten Plan Years									
	Years Ended December 31									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 631,401	\$ 633,522	\$ 566,882	\$ 459,643	\$ 493,462	\$ 624,340	\$ 472,763	\$ 347,307	\$ 293,775	\$ 269,286
Contributions in relation to the actuarially determined contribution	718,816	633,522	566,882	459,643	493,462	624,340	550,379	347,307	293,775	269,286
Contribution Excess	\$ 87,415	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,616	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,406,517	\$ 1,233,542	\$ 1,232,612	\$ 1,233,542	\$ 1,178,050	\$ 1,322,030	\$ 1,237,915	\$ 918,677	\$ 970,678	\$ 1,163,999
Contributions as a Percentage of Covered Payroll	51.11 %	51.36 %	45.99 %	37.26 %	41.89 %	47.23 %	44.46 %	37.81 %	30.26 %	23.13 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar - Closed basis
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	7.75 percent - Net of pension plan investment expense and administrative expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Mortality Tables of a 50 percent female blend
Other information	None

See notes to required supplemental information.

Village of Holly, Michigan

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

	Last Four Fiscal Years			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 21,110	\$ 30,067	\$ 28,704	\$ 29,037
Interest	30,259	33,614	33,793	32,519
Changes in benefit terms	-	(146,998)	-	-
Differences between expected and actual experience	-	(764)	(36,559)	-
Changes in assumptions	3,514	18,772	-	(15,736)
Benefit payments, including refunds	(19,808)	(25,570)	(22,362)	(54,555)
Net Change in Total OPEB Liability	35,075	(90,879)	3,576	(8,735)
Total OPEB Liability - Beginning of year	624,531	715,410	711,834	720,569
Total OPEB Liability - End of year	<u><u>\$ 659,606</u></u>	<u><u>\$ 624,531</u></u>	<u><u>\$ 715,410</u></u>	<u><u>\$ 711,834</u></u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 13,571	\$ 19,695	\$ 14,320	\$ 54,555
Contributions - Active and inactive plan members not yet receiving benefits	6,237	5,875	8,042	-
Net investment income (loss)	2,134	20,627	(3,632)	4,421
Administrative expenses	-	-	(10)	-
Benefit payments, including refunds	(19,808)	(25,570)	(22,362)	(54,555)
Other	-	(1,159)	(2,013)	-
Net Change in Plan Fiduciary Net Position	2,134	19,468	(5,655)	4,421
Plan Fiduciary Net Position - Beginning of year	398,150	378,682	384,337	379,916
Plan Fiduciary Net Position - End of year	<u><u>\$ 400,284</u></u>	<u><u>\$ 398,150</u></u>	<u><u>\$ 378,682</u></u>	<u><u>\$ 384,337</u></u>
Net OPEB Liability - Ending	<u><u>\$ 259,322</u></u>	<u><u>\$ 226,381</u></u>	<u><u>\$ 336,728</u></u>	<u><u>\$ 327,497</u></u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	60.69 %	63.75 %	52.93 %	53.99 %

Village of Holly, Michigan

Required Supplemental Information Schedule of OPEB Contributions

Last Nine Fiscal Years
Years Ended June 30

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 36,653	\$ 52,652	\$ 100,924	\$ 100,924	\$ 100,924	\$ 67,721	\$ 126,477	\$ 127,110	\$ 157,850
Contributions in relation to the actuarially determined contribution	15,410	19,695	14,320	5,000	-	-	-	38,359	38,359
Contribution Deficiency	\$ (21,243)	\$ (32,957)	\$ (86,604)	\$ (95,924)	\$ (100,924)	\$ (67,721)	\$ (126,477)	\$ (88,751)	\$ (119,491)

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Inflation	2.50 percent
Health care cost trend rates	8.00 percent initially reduced to an ultimate rate of 4.50 percent
Salary increase	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-2014 Mortality Tables projected back to 2006 base year using Projection Scale MP-2014 with generational projection using Projection Scale MP-2018
Other information	None

See notes to required supplemental information.

Village of Holly, Michigan

Required Supplemental Information Schedule of OPEB Investment Returns

	Last Four Fiscal Years Years Ended June 30			
	2020	2019	2018	2017
Annual money-weighted rate of return - Net of investment expense	0.5 %	4.9 %	(1.0)%	1.2 %

June 30, 2020***Budgetary Information***

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

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

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

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 3,480,210	\$ 3,542,854	\$ (62,644)

Changes in Assumptions

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

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

Other Supplemental Information

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2020

	Nonmajor Special Revenue Funds				Total
	Local Streets Fund	Lake Improvement Fund	Solid Waste Fund	Holly Area Transportation Fund	
Assets					
Cash and investments	\$ 49,461	\$ 1,714	\$ 98,007	\$ 7,280	\$ 156,462
Receivables:					
Special assessments receivable	-	3,676	59	-	3,735
Due from other governments	23,033	-	-	17,378	40,411
Total assets	<u>\$ 72,494</u>	<u>\$ 5,390</u>	<u>\$ 98,066</u>	<u>\$ 24,658</u>	<u>\$ 200,608</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ 27,861	\$ 71	\$ 27,932
Accrued liabilities and other	2,011	-	-	-	2,011
Total liabilities	2,011	-	27,861	71	29,943
Deferred Inflows of Resources - Unavailable revenue					
	-	1,240	-	-	1,240
Total liabilities and deferred inflows of resources	2,011	1,240	27,861	71	31,183
Fund Balances					
Restricted:					
Roads	70,483	-	-	-	70,483
Lake improvement	-	4,150	-	-	4,150
Solid waste	-	-	70,205	-	70,205
Assigned - Senior transportation	-	-	-	24,587	24,587
Total fund balances	<u>70,483</u>	<u>4,150</u>	<u>70,205</u>	<u>24,587</u>	<u>169,425</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 72,494</u>	<u>\$ 5,390</u>	<u>\$ 98,066</u>	<u>\$ 24,658</u>	<u>\$ 200,608</u>

Village of Holly, Michigan

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

Year Ended June 30, 2020

	Nonmajor Special Revenue Funds				Total
	Local Streets Fund	Lake Improvement Fund	Solid Waste Fund	Holly Area Transportation Fund	
Revenue					
Special assessments	\$ -	\$ 5,468	\$ 334,620	\$ -	\$ 340,088
Intergovernmental:					
Federal grants	10,466	-	-	34,854	45,320
State-shared revenue and grants - Act 51 gas and weight tax	165,029	-	-	-	165,029
Charges for services	-	-	-	9,018	9,018
Investment income	299	-	-	-	299
Other revenue	725	-	90	-	815
Total revenue	176,519	5,468	334,710	43,872	560,569
Expenditures					
Current services:					
Public works	156,037	5,602	355,263	-	516,902
Senior transportation	-	-	-	57,539	57,539
Total expenditures	156,037	5,602	355,263	57,539	574,441
Excess of Revenue Over (Under) Expenditures	20,482	(134)	(20,553)	(13,667)	(13,872)
Net Change in Fund Balances	20,482	(134)	(20,553)	(13,667)	(13,872)
Fund Balances - Beginning of year	50,001	4,284	90,758	38,254	183,297
Fund Balances - End of year	<u>\$ 70,483</u>	<u>\$ 4,150</u>	<u>\$ 70,205</u>	<u>\$ 24,587</u>	<u>\$ 169,425</u>

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**GENERAL FUND STATEMENTS
OF THE
VILLAGE OF HOLLY
FOR THE FISCAL YEARS ENDED JUNE 30, 2020, 2019 AND 2018**

FINANCIAL INFORMATION

The following financial information has been compiled from information provided in the Village of Holly audited Financial Reports for the fiscal years ended June 30, 2020, 2019 and 2018. These audited Financial Reports were prepared in accordance with the Generally Accepted Accounting Principles. The Village's auditors have not been asked to consent to the use of information from such audited Annual Financial Reports in the Preliminary Official Statement nor the final Official Statement and have not conducted any subsequent review of such audited Financial Statements or of the information presented in this Appendix.

Copies of audited Financial Reports of the Village may be obtained from the State of Michigan - Department of Treasury.

Michigan Department of Treasury

Local Audit and Finance Division

Lansing, MI 48922

Telephone: (517) 373-3227

Website: www.michigan.gov/treasury

VILLAGE OF HOLLY
GENERAL FUND - BALANCE SHEET
FOR YEARS ENDED JUNE 30

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$882,129	\$1,229,239	\$1,794,687
Receivables:			
Property taxes receivable	82	82	82
Special assessments receivable	1,552	1,552	1,552
Other	27,317	27,386	27,304
Due from other governmental units	<u>104,658</u>	<u>141,233</u>	<u>133,096</u>
TOTAL ASSETS	<u><u>\$1,015,738</u></u>	<u><u>\$1,399,492</u></u>	<u><u>\$1,956,721</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$46,466	\$58,281	\$101,469
Advances from other funds	\$53,712	\$70,550	\$86,882
Accrued liabilities and other	<u>69,092</u>	<u>57,476</u>	<u>43,381</u>
TOTAL LIABILITIES	<u><u>169,270</u></u>	<u><u>186,307</u></u>	<u><u>231,732</u></u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	<u>1,436</u>	<u>1,436</u>	<u>1,436</u>
Total liabilities and deferred inflows of resources	170,706	187,743	233,168
 Fund Balance			
Committed - Cemetery Care	142,860	143,225	144,225
Assigned			
Tri party	34,779	34,779	34,779
Sidewalks	145,370	145,370	145,370
Mill pond	150,000	150,000	200,000
Capital improvements	-	-	358,001
Unassigned	<u>372,023</u>	<u>738,375</u>	<u>841,178</u>
TOTAL FUND EQUITY	<u><u>845,032</u></u>	<u><u>1,211,749</u></u>	<u><u>1,723,553</u></u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u><u>\$1,015,738</u></u>	 <u><u>\$1,399,492</u></u>	 <u><u>\$1,956,721</u></u>

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

Source: Financial Statements of the Village of Holly

VILLAGE OF HOLLY
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
FOR YEARS ENDED JUNE 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>
REVENUES:			
Property taxes	\$1,452,718	\$1,400,038	\$1,373,591
Licenses and permits	97,201	109,459	96,623
Federal grants	8,381	34,828	302,384
State shared revenue and grants	622,445	639,396	616,458
Charges for services	580,796	587,640	592,459
Fines and forfeits	6,984	9,652	9,069
Investment income	10,909	16,155	60,334
Other revenue			
Special assessments	0	0	488
Other miscellaneous income	386,008	119,210	316,820
TOTAL REVENUE	<u>3,165,442</u>	<u>2,916,378</u>	<u>3,368,226</u>
EXPENDITURES:			
Current:			
General government:	\$ 508,846	\$ 473,289	\$ 523,898
Public safety:	2,381,184	1,199,291	1,749,815
Public works:	330,441	395,480	313,845
Community and economic development:	22,208	37,110	51,164
Parks and recreation	60,835	46,702	42,384
Capital outlay	239,340	521,805	559,265
TOTAL EXPENDITURES	<u>3,542,854</u>	<u>2,673,677</u>	<u>3,240,371</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	10,695	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,695</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE (UNDER) OVER EXPENDITURES	(366,717)	242,701	127,855
 FUND BALANCES - BEGINNING OF YEAR	 <u>1,966,254</u>	 <u>1,723,553</u>	 <u>1,595,698</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$1,599,537</u></u>	 <u><u>\$1,966,254</u></u>	 <u><u>\$1,723,553</u></u>

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

Source: Financial Statements of the Village of Holly

APPENDIX E

FORM OF APPROVING OPINION



Miller, Canfield, Paddock and Stone, P.L.C.

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Form of Approving Opinion

Village of Holly
County of Oakland
State of Michigan

We have acted as bond counsel to the Village of Holly, County of Oakland, State of Michigan (the "Issuer") in connection with the issuance by the Issuer of bonds in the aggregate principal sum of \$_____, designated 2021 Capital Improvement Bonds (Limited Tax General Obligation) (the "Bonds"). In such capacity, we have examined such law and the transcript of proceedings relating to the issuance of the Bonds and such other proceedings, certifications and documents as we have deemed necessary to render this opinion.

The Bonds are in fully-registered form in the denomination of \$5,000 each or multiples thereof, numbered in order of registration, bearing original issue date of _____, 2021, payable as to principal and interest as provided in the Bonds, with the option of redemption prior to maturity in the manner, at the times and at the prices specified in the Bonds. The Issuer has designated the Bonds as "qualified tax-exempt obligations" for purposes of deduction of interest expense by financial institutions.

As to questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding obligations of the Issuer.
2. The Issuer has pledged its limited tax full faith and credit for the payment of the Bonds and, in order to make such payment, the Issuer is obligated to provide, as a first budget obligation, sufficient general fund moneys in its annual budget and, if necessary, to levy sufficient ad valorem taxes upon all taxable property within its boundaries, subject to applicable constitutional, statutory and charter tax rate limitations.
3. The interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax. Further, the Bonds and the interest thereon are exempt from all taxation by the State of Michigan or by any taxing authority within the State of Michigan except estate taxes and taxes on gains realized from the sale, payment or other disposition thereof. The opinions set forth in this paragraph are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal and Michigan income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds.

Except as stated in paragraph 3 above, we express no opinion regarding other federal or state tax consequences arising with respect to the Bonds and the interest thereon.

The rights or remedies of bondholders may be affected by bankruptcy, insolvency, fraudulent conveyance or other laws affecting creditors' rights generally, now existing or hereafter enacted, and by the application of general principles of equity, including those relating to equitable subordination.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

By: _____

FORM OF CONTINUING DISCLOSURE UNDERTAKING

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the Village of Holly, County of Oakland, State of Michigan (the “Issuer”) in connection with the issuance of its 2021 Capital Improvement Bonds (Limited Tax General Obligation) (the “Bonds”). The Issuer covenants and agrees for the benefit of the Bondholders, as hereinafter defined, as follows:

- (a) *Definitions.* The following terms used herein shall have the following meanings:

“Audited Financial Statements” means the annual audited financial statements pertaining to the Issuer prepared by an individual or firm of independent certified public accountants as required by Act 2, Public Acts of Michigan, 1968, as amended, which presently requires preparation in accordance with generally accepted accounting principles.

“Bondholders” shall mean the registered owner of any Bond or any person (a) with the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any person holding a Bond through a nominee, depository or other intermediary) or (b) treated as the owner of any Bond for federal income tax purposes.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access System or such other system, Internet Web Site, or repository hereafter prescribed by the MSRB for the submission of electronic filings pursuant to the Rule.

“Financial Obligation” means “financial obligation” as such term is defined in the Rule.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the date of this Undertaking which are applicable to this Undertaking.

“SEC” means the United States Securities and Exchange Commission.

- (b) *Continuing Disclosure.* The Issuer hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the MSRB through EMMA on or before the last day of the sixth month after the end of its fiscal year the following annual financial information and operating data, commencing with the fiscal year ending June 30, 2021, in an electronic format as prescribed by the MSRB:

(1) Updates of the numerical financial information and operating data included in the official statement of the Issuer relating to the Bonds (the “Official Statement”) appearing in the Tables or under the headings in the Official Statement as described below:

- a. History of Property Valuations – State Equalized Valuation and Taxable Values;
- b. State Equalized Value – By Class and By Use;
- c. Taxable Value – By Class and By Use;
- d. Major Taxpayers;
- e. Tax Rates (Per \$1,000 of Taxable Value);
- f. Tax Rate Limitations;
- g. Tax Levies and Collections;
- h. Revenues from the State of Michigan;
- i. Labor Agreements;
- j. Retirement Plans;
- k. General Fund – Fund Balance; and
- l. Debt Statement – Direct Debt.

(2) Audited Financial Statements, or in the event audited financial statements are not available, the Issuer agrees to provide unaudited financial statements and to provide audited financial statements immediately after they become available.

(3) Such additional financial information or operating data as may be determined by the Issuer and its advisors as desirable or necessary to comply with the Rule.

Such annual financial information and operating data described above are expected to be provided directly by the Issuer by specific reference to documents available to the public through EMMA or filed with the SEC.

If the fiscal year of the Issuer is changed, the Issuer shall send a notice of such change to the MSRB through EMMA, prior to the earlier of the ending date of the fiscal year prior to such change or the ending date of the fiscal year as changed.

(c) *Notice of Failure to Disclose.* The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, notice of a failure by the Issuer to provide the annual financial information with respect to the Issuer described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

(d) *Occurrence of Events.* The Issuer agrees to provide or cause to be provided to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events listed in (b)(5)(i)(C) of the Rule with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of holders of the Bonds, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer, which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; or
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(e) *Materiality Determined Under Federal Securities Laws.* The Issuer agrees that its determination of whether any event listed in subsection (d) is material shall be made in accordance with federal securities laws.

(f) *Termination of Reporting Obligation.* The Issuer reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the Issuer is no longer an “obligated person” with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

(g) *Identifying Information.* All documents provided to the MSRB through EMMA shall be accompanied by the identifying information prescribed by the MSRB.

(h) *Benefit of Bondholders.* The Issuer agrees that its undertaking pursuant to the Rule set forth in this Section is intended to be for the benefit of the Bondholders and shall be enforceable by any Bondholder; provided that, the right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the Issuer’s obligations hereunder and any failure by the Issuer to comply with the provisions of this Undertaking shall not constitute a default or an event of default with respect to the Bonds.

(i) *Amendments to the Undertaking.* Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the Issuer, provided that the Issuer agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the Issuer (such as independent legal counsel), but such interpretations may be changed in the future. If the accounting principles to be followed by the Issuer in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. A notice of the change in accounting principles shall be sent to the MSRB through EMMA.

IN WITNESS WHEREOF, the Issuer has caused this Undertaking to be executed by its authorized officer.

VILLAGE OF HOLLY
County of Oakland
State of Michigan

By _____
Jerry Walker
Its: Village Manager

Dated: _____, 2021

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The following have participated in the planning and development of these Bond issues:



VILLAGE OF HOLLY

THOMAS MCKENNEY
President

VILLAGE COUNCIL

RYAN DELANEY

RICHARD KINNAMON

DEBRA MUSGRAVE

JAMES PERKINS

RICK POWERS

BUSTER WINEBRENNER

ADMINISTRATION

DEBORAH J. BIGGER
Clerk/Treasurer

JERRY WALKER
Village Manager

PROFESSIONAL SERVICES

REGISTRAR/TRANSFER/ESCROW AGENT

U.S. BANK NATIONAL ASSOCIATION
Detroit Michigan

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