

**Village of Beverly Hills, Michigan
Oakland County, Michigan**

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

Village of Beverly Hills, Michigan

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Village of Beverly Hills, Michigan

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Independent Auditor's Report

To the Village Council
Village of Beverly Hills, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Beverly Hills, Michigan (the "Village") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Village of Beverly Hills, 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, each major fund, and the aggregate remaining fund information of the Village of Beverly Hills, Michigan as of June 30, 2017 and the respective changes in its financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Village Council
Village of Beverly Hills, Michigan

Emphasis of Matter

As discussed in Note 15, during the year ended June 30, 2017, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Required Supplemental Information

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

Other Information

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

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

Plante & Moran, PLLC

November 7, 2017

Village of Beverly Hills, Michigan

Management's Discussion and Analysis

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

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2017.

- **General Fund - Fund Balance** - The fund balance of the General Fund, excluding the Sick Pay Severance and Vacation Reserve Funds, at June 30, 2017 was approximately \$1.33 million, or about 51 percent of the current 2016-2017 actual General Fund expenditures (excluding transfers). This number is above the Village Council recommendation of a minimum of a 20 percent fund balance.
- **State-shared Revenue** - The Village's state-shared revenue increased approximately 5.8 percent from a year ago (\$852,499 during 2016-2017 and \$805,848 during 2015-2016). Only minor fluctuations are anticipated in the next fiscal year. State-shared revenue is divided between two sources. The most significant component is constitutional revenue sharing guaranteed in the Michigan Constitution. This is revenue generated through sales tax receipts throughout the state of Michigan and reapportioned to local units of government and distributed on a per capita basis using the 2010 census to determine population. Statutory revenue sharing is revenue generated through state sales tax receipts and provided for by legislative action. The legislature has allocated an additional portion of the sales tax to be distributed to the local units, in lieu of the income and single business taxes no longer being collected.
- **Retiree Health Care** - Administrative employees hired before July 1, 2006 are eligible for retiree health care funded by the Village. They contribute 2 percent of their salary to fund the retiree healthcare program. Administrative employees hired after July 1, 2006 contribute 3 percent of their salary to a Health Savings Account which is matched by the Village. Upon termination of service, they are 100 percent vested in the Health Savings Account.

Public safety employees hired before September 1, 2013 are eligible for retiree health care funded by the Village. They are currently required to contribute 2 percent of their salary to fund the retiree healthcare program. Most of the investments are held by MERS as of June 30, 2017. Public Safety employees hired after September 1, 2013 contribute 3 percent of their salary to a Health Savings Account which is matched by the Village. Upon termination of service, they are 100 percent vested in the Health Savings Account.

- **2017 Investment Report** - The Village's investment income in the fiscal year was up slightly in the current year. Interest rates, while still at historic lows, have risen to approximately .75 percent due to the Federal Reserve changes. Interest rates are not anticipated to increase substantially in the foreseeable future.

Village of Beverly Hills, Michigan

Management's Discussion and Analysis (Continued)

- **Union Contracts** - Both union contracts are ratified. The previous public safety officers' contract expired on June 30, 2017. A new PSO contract was approved by the Village and union and became effective July 1, 2017. This agreement will remain in effect until June 30, 2022. The command officers' contract expires on December 31, 2017. The Village is currently negotiating a new contract with the Command Officers' Union. The Village expects a new agreement will be in place by January 1, 2018.

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 us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village'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.

Village of Beverly Hills, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

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

	Governmental Activities				Percent Change
	2015	2016	2017	Change	
Assets					
Other assets	\$ 4,673,099	\$ 4,836,312	\$ 4,561,800	\$ (274,512)	-6%
Capital assets	<u>11,225,634</u>	<u>10,646,408</u>	<u>11,198,628</u>	<u>552,220</u>	5%
Total assets	15,898,733	15,482,720	15,760,428	277,708	2%
Deferred Outflows of Resources	422,803	3,079,708	1,685,585	(1,394,123)	-45%
Liabilities					
Current liabilities	1,348,797	1,122,574	1,152,613	30,039	3%
Long-term liabilities	<u>2,708,517</u>	<u>6,423,011</u>	<u>4,561,702</u>	<u>(1,861,309)</u>	-29%
Total liabilities	4,057,314	7,545,585	5,714,315	(1,831,270)	-24%
Deferred Inflows of Resources	-	-	710,145	710,145	
Net Position					
Net investment in capital assets	10,801,802	10,303,891	10,939,117	635,226	6%
Restricted	1,310,663	2,234,750	1,726,517	(508,233)	-23%
Unrestricted	<u>151,757</u>	<u>(1,521,798)</u>	<u>(1,644,081)</u>	<u>(122,283)</u>	8%
Total net position	<u>\$ 12,264,222</u>	<u>\$ 11,016,843</u>	<u>\$ 11,021,553</u>	<u>\$ 4,710</u>	0%

Village of Beverly Hills, Michigan

Management's Discussion and Analysis (Continued)

	Governmental Activities				Percent Change
	2015	2016	2017	Change	
Revenue					
Program revenue:					
Charges for services	\$ 923,498	\$ 869,174	\$ 1,164,219	\$ 295,045	34%
Operating grants	716,322	824,001	876,121	52,120	6%
Capital grants	9,000	15,984	-	(15,984)	-100%
General revenue:					
Property taxes	6,307,165	6,435,150	6,490,049	54,899	1%
State-shared revenue	818,705	794,462	872,134	77,672	10%
Investment earnings	8,097	12,450	26,539	14,089	113%
Other revenue	<u>171,995</u>	<u>315,134</u>	<u>250,842</u>	<u>(64,292)</u>	-20%
Total revenue	8,954,782	9,266,355	9,679,904	413,549	4%
Program Expenses					
General government	637,589	1,645,096	1,097,709	(547,387)	-33%
Public safety	4,879,407	6,141,665	5,815,996	(325,669)	-5%
Public works	2,104,501	2,088,053	2,300,488	212,435	10%
Community and economic development	91,805	98,490	96,023	(2,467)	-3%
Recreation and cultural	474,747	476,673	480,777	4,104	1%
Interest on long-term debt	<u>15,971</u>	<u>7,754</u>	<u>58,394</u>	<u>50,640</u>	653%
Total expenses	8,204,020	10,457,731	9,849,387	(608,344)	-6%
Transfers	-	-	174,193	174,193	
Change in Net Position	<u>\$ 750,762</u>	<u>\$(1,191,376)</u>	<u>\$ 4,710</u>	<u>\$ 1,196,086</u>	-100%

Unrestricted net position - the part of net position that can be used to finance day-to-day operations - decreased by approximately \$122,000 for the governmental activities. The current level of unrestricted net position for our governmental activities stands at a deficit of \$1,644,081. 2016 recorded a significant decrease in the unrestricted net position from previous years. The 2016 decrease was due to changes in reporting standards during 2015 and 2016 (with the unfunded pension liability being reported for the first time during those years). The overall pension obligation as of June 30, 2017 totals \$3,765,709.

The Village's total governmental revenue increased by approximately \$414,000. The increase was primarily due to operating grants, increased property values (resulting in slightly higher property taxes), and other miscellaneous revenue.

Expenses increased during the year primarily relating to increased pension and postemployment benefits.

Village of Beverly Hills, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

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

	Business-Type Activities				Percent Change
	2015	2016	2017	Change	
Assets					
Other assets	\$ 1,156,887	\$ 791,691	\$ 849,228	\$ 57,537	7%
Capital assets	<u>21,420,784</u>	<u>20,872,757</u>	<u>20,321,071</u>	<u>(551,686)</u>	-3%
Total assets	22,577,671	21,664,448	21,170,299	(494,149)	-2%
Liabilities					
Current liabilities	1,072,960	566,935	591,992	25,057	4%
Long-term liabilities	<u>2,509,710</u>	<u>2,228,636</u>	<u>1,938,807</u>	<u>(289,829)</u>	-13%
Total liabilities	<u>3,582,670</u>	<u>2,795,571</u>	<u>2,530,799</u>	<u>(264,772)</u>	-9%
Net Position					
Net investment in capital assets	18,637,559	18,363,047	18,092,432	(270,615)	-1%
Unrestricted	<u>357,442</u>	<u>505,830</u>	<u>547,068</u>	<u>41,238</u>	8%
Total net position	<u>\$ 18,995,001</u>	<u>\$ 18,868,877</u>	<u>\$ 18,639,500</u>	<u>\$ (229,377)</u>	-1%

	Business-type Activities				Percent Change
	2015	2016	2017	Change	
Operating Revenue	\$ 3,148,341	\$ 4,224,333	\$ 4,423,937	\$ 199,604	5%
Operating expenses, other than depreciation	3,835,026	4,155,939	3,937,963	(217,976)	-5%
Depreciation and amortization	<u>548,539</u>	<u>548,027</u>	<u>551,686</u>	<u>3,659</u>	1%
Operating Loss	(1,235,224)	(479,633)	(65,712)	413,921	-86%
Property tax revenue	325,585	-	-	-	0%
Interest expense	88,425	64,700	55,047	(9,653)	-15%
Other	<u>5</u>	<u>29</u>	<u>103</u>	<u>74</u>	255%
Loss - Before contributions and transfers	(998,059)	(544,304)	(120,656)	423,648	-78%
Transfers, Capital Grants, and Charges	<u>500,597</u>	<u>418,180</u>	<u>(108,721)</u>	<u>(526,901)</u>	-126%
Change in Net Position	<u>\$ (497,462)</u>	<u>\$ (126,124)</u>	<u>\$ (229,377)</u>	<u>\$ (103,253)</u>	82%

Village of Beverly Hills, Michigan

Management's Discussion and Analysis (Continued)

Water units purchased by the Village from the Southeastern Oakland County Water Authority, as well as units billed to customers, increased from the previous fiscal year. The Water and Sewer Fund incurred an operating loss of approximately \$66,000 during the year. The decrease in net position was approximately \$229,000.

The Village's Funds

Our analysis of the Village's major funds begins on page 13, 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 Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2017 include the General Fund, Major Streets Fund, Local Streets Fund, and the Public Safety Fund.

The General Fund pays for the Village's governmental services including all administrative departments (excluding public safety) and rubbish collection and disposal services. The Public Safety Fund covers all public safety department costs. This represents the largest cost group, which incurred expenses of approximately \$5.4 million in fiscal year 2016-2017.

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account events during the year. Village departments overall were slightly under budget, resulting in total expenditures of \$107,877 under the amended budget in the General Fund.

Capital Asset and Debt Administration

At June 30, 2017, the Village had more than \$31 million invested in a broad range of capital assets, including buildings, furniture, equipment, roads and bridges, and water and sewer mains (see Note 5 for detail). During the current year, the Village added over \$1,000,000 of additional capital assets (net of disposals). The most significant additions related to improvements being made to the Village Hall.

Economic Factors and Next Year's Budgets and Rates

The Village's budget for next year will be similar to the current fiscal year. The General Fund covers the Village Council, village manager, finance department, building and planning department, and the public services department.

The Village experienced a marginal increase of taxable value from last year. The Village's taxable value increased from \$519,161,240 in the 2015-2016 fiscal year to \$531,938,260 in the 2016-2017 fiscal year. The taxable value increases are limited by the Headlee Amendment, which automatically "rolls back" tax rates to the rate of inflation.

Village of Beverly Hills, Michigan

Management's Discussion and Analysis (Continued)

Water and sewer rates for fiscal year 2016-2017 were unchanged from the prior fiscal year. In 2016, the Village implemented a fixed rate for infrastructure of \$65 per bill and debt service of \$20 per bill to ensure that revenue will be sufficient to cover debt service payments and necessary maintenance and capital repair costs.

Contacting the Village's Management

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

Village of Beverly Hills, Michigan

Statement of Net Position June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 3,290,743	\$ 52,569	\$ 3,343,312
Receivables - Net (Note 4)	575,797	1,151,239	1,727,036
Internal balances (Note 6)	402,031	(402,031)	-
Inventory	-	47,451	47,451
Prepaid expenses and other assets	293,229	-	293,229
Capital assets:			
Assets not subject to depreciation (Note 5)	247,277	-	247,277
Assets subject to depreciation (Note 5)	10,951,351	20,321,071	31,272,422
Total assets	15,760,428	21,170,299	36,930,727
Deferred Outflows of Resources (Note 9)	1,685,585	-	1,685,585
Liabilities			
Accounts payable	397,013	277,763	674,776
Due to other governmental units	409,960	-	409,960
Accrued liabilities and other	99,981	24,397	124,378
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 7)	160,929	-	160,929
Current portion of long-term debt (Note 7)	84,730	289,832	374,562
Due in more than one year:			
Compensated absences (Note 7)	107,286	-	107,286
Net retiree healthcare obligation (Note 10)	513,926	-	513,926
Net pension obligation (Note 9)	3,765,709	-	3,765,709
Long-term debt (Note 7)	174,781	1,938,807	2,113,588
Total liabilities	5,714,315	2,530,799	8,245,114
Deferred Inflows of Resources (Note 9)	710,145	-	710,145
Net Position			
Net investment in capital assets	10,939,117	18,092,432	29,031,549
Restricted for:			
Streets and highways	1,113,272	-	1,113,272
Capital projects - Public safety	290,594	-	290,594
Drug law enforcement	55,362	-	55,362
Library	2,237	-	2,237
Public safety	265,052	-	265,052
Unrestricted	(1,644,081)	547,068	(1,097,013)
Total net position	<u>\$ 11,021,553</u>	<u>\$ 18,639,500</u>	<u>\$ 29,661,053</u>

Village of Beverly Hills, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,097,709	\$ 164,594	\$ -	\$ -
Public safety	5,815,996	149,177	13,323	-
Public works	2,300,488	841,153	862,798	-
Community and economic development	96,023	9,295	-	-
Recreation and culture	480,777	-	-	-
Interest on long-term debt	58,394	-	-	-
Total governmental activities	9,849,387	1,164,219	876,121	-
Business-type activities - Water and sewer	4,544,696	4,423,937	-	65,472
Total primary government	<u>\$ 14,394,083</u>	<u>\$ 5,588,156</u>	<u>\$ 876,121</u>	<u>\$ 65,472</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2017**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (933,115)	\$ -	\$ (933,115)
(5,653,496)	-	(5,653,496)
(596,537)	-	(596,537)
(86,728)	-	(86,728)
(480,777)	-	(480,777)
(58,394)	-	(58,394)
(7,809,047)	-	(7,809,047)
-	(55,287)	(55,287)
(7,809,047)	(55,287)	(7,864,334)
6,490,049	-	6,490,049
872,134	-	872,134
26,539	103	26,642
250,842	-	250,842
7,639,564	103	7,639,667
174,193	(174,193)	-
4,710	(229,377)	(224,667)
11,016,843	18,868,877	29,885,720
<u>\$ 11,021,553</u>	<u>\$ 18,639,500</u>	<u>\$ 29,661,053</u>

Village of Beverly Hills, Michigan

	General Fund	Major Streets Fund	Local Streets Fund	Public Safety Fund
Assets				
Cash and cash equivalents (Note 3)	\$ 1,472,788	\$ 498,468	\$ 396,698	\$ 403,762
Receivables - Net (Note 4)	352,029	104,748	99,909	19,111
Due from other funds (Note 6)	481,288	-	-	-
Prepaid expenses and other assets	20,471	-	-	96,523
Total assets	\$ 2,326,576	\$ 603,216	\$ 496,607	\$ 519,396
Liabilities				
Accounts payable	\$ 132,171	\$ 22,725	\$ 19,407	\$ 105,657
Due to other governmental units	409,960	-	-	-
Due to other funds (Note 6)	-	-	65,486	148,187
Accrued and other liabilities	83,609	-	-	500
Total liabilities	625,740	22,725	84,893	254,344
Deferred Inflows of Resources				
(Note 1)	141,934	-	49,287	19,111
Fund Balances				
Nonspendable	20,471	-	-	96,523
Restricted:				
Roads	-	580,491	362,427	-
Public safety	-	-	-	149,418
Capital projects - Public safety	-	-	-	-
Drug law enforcement	-	-	-	-
Library	-	-	-	-
Assigned:				
Capital projects	-	-	-	-
Sick pay severance	163,295	-	-	-
Vacation reserve	64,544	-	-	-
Unassigned	1,310,592	-	-	-
Total fund balances	1,558,902	580,491	362,427	245,941
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,326,576	\$ 603,216	\$ 496,607	\$ 519,396

**Governmental Funds
Balance Sheet
June 30, 2017**

Nonmajor Governmental Funds	Total
<u> </u>	<u> </u>
\$ 519,027	\$ 3,290,743
-	575,797
148,187	629,475
<u> </u>	<u> </u>
-	116,994
\$ 667,214	\$ 4,613,009
<u> </u>	<u> </u>
\$ 117,053	\$ 397,013
-	409,960
13,771	227,444
<u> </u>	<u> </u>
-	84,109
<u> </u>	<u> </u>
130,824	1,118,526
<u> </u>	<u> </u>
-	210,332
<u> </u>	<u> </u>
-	116,994
<u> </u>	<u> </u>
121,067	1,063,985
<u> </u>	<u> </u>
-	149,418
<u> </u>	<u> </u>
290,594	290,594
<u> </u>	<u> </u>
55,362	55,362
<u> </u>	<u> </u>
2,237	2,237
<u> </u>	<u> </u>
67,130	67,130
<u> </u>	<u> </u>
-	163,295
<u> </u>	<u> </u>
-	64,544
<u> </u>	<u> </u>
-	1,310,592
<u> </u>	<u> </u>
536,390	3,284,151
<u> </u>	<u> </u>
\$ 667,214	\$ 4,613,009
<u> </u>	<u> </u>

Village of Beverly Hills, Michigan

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

Fund Balance Reported in Governmental Funds	\$ 3,284,151
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	11,198,628
Accrued interest is not due and payable in the current period and is not reported in the funds	(3,372)
Net pension liability is not due and payable in the current period and is not reported in the funds	(3,765,709)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	1,685,585
Certain changes in pension plan net position and other items are reported as deferred inflows of resources in the statement of net position, which are not reported in the governmental funds	(710,145)
The funds defer recognition of revenue of any amounts not collected within 60 days of the end of the year	210,332
Installment purchase agreements are not due and payable in the current period and are not reported in the funds	(259,511)
Amounts on deposit with the insurance authority (MMRMA) are not reported as fund assets	176,235
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(268,215)
Net retiree healthcare obligations are not due and payable in the current period and are not reported in the funds	(513,926)
Other long-term liabilities, such as claims and judgments, do not present a claim on current financial resources and are not reported as fund liabilities	(12,500)
Net Position of Governmental Activities	<u>\$ 11,021,553</u>

Village of Beverly Hills, Michigan

	General Fund	Major Streets Fund	Local Streets Fund	Public Safety Fund
Revenue				
Property taxes and related fees	\$ 977,905	\$ -	\$ -	\$ 5,044,368
Licenses and permits	313,761	-	-	-
Federal grants	9,295	-	-	-
State-shared revenue and grants	852,499	541,503	298,644	16,931
Charges for services	683,360	-	-	70,771
Fines and forfeitures	34,469	-	-	73,606
Interest and rentals	7,408	2,431	1,330	9,864
Other revenue	360,074	23,620	28,696	13,010
Total revenue	<u>3,238,771</u>	<u>567,554</u>	<u>328,670</u>	<u>5,228,550</u>
Expenditures				
Current:				
General government	1,206,013	-	-	-
Public safety	-	-	-	5,388,213
Public works	1,275,844	389,561	649,005	-
Community and economic development	92,032	-	-	-
Library	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	90,125
Total expenditures	<u>2,573,889</u>	<u>389,561</u>	<u>649,005</u>	<u>5,478,338</u>
Excess of Revenue Over (Under) Expenditures	664,882	177,993	(320,335)	(249,788)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	4,200	-	-	-
Transfers in (Note 6)	-	-	250,000	-
Transfers out (Note 6)	(742,900)	(150,000)	-	(125,000)
Total other financing (uses) sources	<u>(738,700)</u>	<u>(150,000)</u>	<u>250,000</u>	<u>(125,000)</u>
Net Change in Fund Balances	(73,818)	27,993	(70,335)	(374,788)
Fund Balances - Beginning of year	<u>1,632,720</u>	<u>552,498</u>	<u>432,762</u>	<u>620,729</u>
Fund Balances - End of year	<u>\$ 1,558,902</u>	<u>\$ 580,491</u>	<u>\$ 362,427</u>	<u>\$ 245,941</u>

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

Governmental Funds
Statement of Revenue, Expenditures, and Changes in
Fund Balances
Year Ended June 30, 2017

Nonmajor Governmental Funds	Total
\$ 467,776	\$ 6,490,049
-	313,761
-	9,295
1,172	1,710,749
-	754,131
9,027	117,102
5,506	26,539
6,340	431,740
489,821	9,853,366
-	1,206,013
3,715	5,391,928
-	2,314,410
-	92,032
468,212	468,212
861,753	861,753
-	90,125
1,333,680	10,424,473
(843,859)	(571,107)
-	4,200
942,093	1,192,093
-	(1,017,900)
942,093	178,393
98,234	(392,714)
438,156	3,676,865
\$ 536,390	\$ 3,284,151

Village of Beverly Hills, Michigan

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

Net Change in Fund Balances - Total Governmental Funds	\$ (392,714)
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	1,362,850
Depreciation expense	(810,188)
Loss on sale of fixed assets	(442)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	4,495
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	83,006
Change in net retiree healthcare obligation reported in the statement of activities does not require the use of current resources and therefore is not reported in the fund statements until it comes due for payment	426,938
Pension-related expenses do not require the use of current resources, and therefore are not reported in the fund statements	(775,072)
Increase in amount on deposit with the insurance authority (MMRMA) is reported as an expenditure on the fund statements, but a reclassification of current to long-term asset at the government-wide level	7,383
Accrued interest on long-term debt is an expenditure in the statement of activities, but not in the governmental funds	1,078
Accrued insurance claims are not reported as a fund liability until the payment is due and payable	46,266
Decrease 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	51,110
Change in Net Position of Governmental Activities	\$ 4,710

Village of Beverly Hills, Michigan

Enterprise Fund - Water and Sewer Statement of Net Position June 30, 2017

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 52,569
Receivables - Net (Note 4)	1,151,239
Inventory	47,451

Total current assets 1,251,259

Capital assets - Assets subject to depreciation (Note 5) 20,321,071

Total assets 21,572,330

Liabilities

Current liabilities:

Accounts payable	277,763
Due to other funds (Note 6)	402,031
Accrued liabilities and other	24,397
Current portion of long-term debt (Note 7)	289,832

Total current liabilities 994,023

Noncurrent liabilities - Long-term debt (Note 7) 1,938,807

Total liabilities 2,932,830

Net Position

Net investment in capital assets 18,092,432

Unrestricted 547,068

Total net position \$ 18,639,500

Village of Beverly Hills, Michigan

Enterprise Fund - Water and Sewer Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

Operating Revenue	
Sale of water	\$ 1,105,702
Sewage disposal charges	2,158,278
Interest and penalty charges	69,026
Meter charge	12,863
Rental income and other	19,172
Infrastructure charge	1,058,896
Total operating revenue	4,423,937
Operating Expenses	
Cost of water	745,021
Cost of sewage treatment	1,918,381
Administration charge	155,000
Repairs and maintenance	1,079,439
Depreciation	551,686
Other expenses	40,122
Total operating expenses	4,489,649
Operating Loss	(65,712)
Nonoperating Revenue (Expenses)	
Investment income	103
Interest expenses	(55,047)
Total nonoperating expenses	(54,944)
Loss - Before contributions	(120,656)
Capital Contributions - Grants	65,472
Transfers Out (Note 6)	(174,193)
Change in Net Position	(229,377)
Net Position - Beginning of year	18,868,877
Net Position - End of year	<u>\$ 18,639,500</u>

Village of Beverly Hills, Michigan

Enterprise Fund - Water and Sewer Statement of Cash Flows Year Ended June 30, 2017

Cash Flows from Operating Activities	
Receipts from customers	\$ 4,470,973
Payments to suppliers	(3,598,091)
Internal activity - repayments to other funds	(401,161)
Other payments	<u>(27,234)</u>
Net cash provided by operating activities	444,487
Cash Flows from Capital and Related Financing Activities	
Receipt of capital grants	98,476
Principal and interest paid on capital debt	(337,752)
Transfers to other funds	<u>(174,193)</u>
Net cash used in capital and related financing activities	(413,469)
Cash Flows from Investing Activities - Interest income	<u>103</u>
Net Increase in Cash and Cash Equivalents	31,121
Cash and Cash Equivalents - Beginning of year	<u>21,448</u>
Cash and Cash Equivalents - End of year	<u>\$ 52,569</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (65,712)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	551,686
Changes in assets and liabilities:	
Receivables	47,036
Prepaid and other assets	(15,017)
Accounts payable	172,655
Due to others	<u>(246,161)</u>
Net cash provided by operating activities	<u>\$ 444,487</u>

Village of Beverly Hills, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2017

	Pension and Other Employee Benefits - Retiree Healthcare	<u>Agency Funds</u>
Assets - Cash and cash equivalents (Note 3)	\$ 228,676	<u>\$ 20,461</u>
Liabilities - Accrued and other	<u>-</u>	<u>\$ 20,461</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 228,676</u>	

Village of Beverly Hills, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2017

	Pension and Other Employee Benefits - Retiree Healthcare
Additions	
Investment income - Interest and dividends	\$ 2,474
Contributions:	
Employer	1,151,735
Employee	<u>26,417</u>
Total contributions	<u>1,178,152</u>
Total additions	1,180,626
Deductions	
Benefit payments	979,119
Transfer to MERS (Note 11)	<u>630,865</u>
Net Decrease in Net Position Held in Trust	(429,358)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>658,034</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 228,676</u></u>

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the Village of Beverly Hills, Michigan:

Reporting Entity

The Village of Beverly Hills, Michigan (the "Village") is governed by an elected seven-member council. There are no component units for which the Village is considered to be financially accountable.

Jointly governed organizations are discussed in Note 13.

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.

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. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

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

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

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note I - Summary of 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 are reported as separate columns in the fund financial statements.

Fund Accounting

The Village accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital 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 general government services, other than those specifically assigned to another fund.
- The Major Streets Fund accounts for the resources of state gas and weight tax revenue that are restricted for use on major streets.
- The Local Streets Fund accounts for the resources of state gas and weight tax revenue that are restricted for use on local streets.
- The Public Safety Fund accounts for the resources of property tax revenue that are restricted for use on public safety.

Proprietary Funds - The Village reports one major proprietary fund. The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system. The fund is financed primarily by a user charge for the provided service.

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 Pension and Other Employee Benefits Trust Fund accounts for resources accumulated for pension benefit payments to qualified employees and for accumulated resources which have been set aside in a trust to fund postretirement healthcare costs.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

- The Agency Fund accounts for assets held by the Village in a trustee capacity, consisting primarily of tax withholdings. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

Interfund activity: During the course of operations, the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the 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 the 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 healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

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 two months of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes and related fees, licenses and permits, federal grants, charges for services, fines and forfeitures, and interest associated with the current fiscal period. Conversely, special assessments and state-shared revenue will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow."

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

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

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.

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 \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

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

<u>Capital Asset Class</u>	<u>Lives</u>
Building and improvements other than buildings	50 years
Furniture and equipment	5-10 years
Vehicles	5-20 years
Roads and bridges	10-50 years
Water mains and sewers	50-100 years
Meters	20 years

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements. The deferred outflows of resources result from four transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the Village's fiscal year end, the difference between expected and actual experience, changes in assumptions, and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings. See Note 9 for a full description of deferred outflows related to pensions.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Village has two items that qualify for reporting in this category. The first is unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two sources: state-shared revenue and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At year end, the Village reported deferred inflows of \$141,934 in the General Fund related to unavailable state-shared revenue, \$19,111 in the Public Safety Fund related to unavailable charges for services, and \$49,287 in the Local Streets Fund for unavailable special assessments revenue. The second type of deferred inflows reported by the Village relates to pension expense. These differences are due to the difference between expected and actual experience and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings. See Note 9 for a full description of deferred inflows related to pensions.

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

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. The Village itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Village Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Village Council has by resolution authorized the finance director to assign fund balance. The Village Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are levied and become a lien on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 14 of the following year, at which time penalties and interest are assessed. Taxes unpaid on February 28 of the following year are added to the county tax rolls.

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

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note I - Summary of Significant Accounting Policies (Continued)

The 2016 taxable valuation of the Village totaled \$532 million, on which taxes levied consisted of 1.8100 mills for operating purposes, 0.8802 mills for the library, and 9.4903 mills for public safety. The ad valorem taxes levied raised approximately \$967,000 for operating, \$468,000 for the library, and \$5,044,000 for public safety. These amounts are recognized in the General, Library, and Public Safety Funds financial statements as taxes receivable or tax revenue, net of delinquent tax revenue and administrative fees. Personal property taxes that are still unpaid as of June 30, 2017 will be recognized as revenue in the future as they are collected.

Pension and Other Postemployment Benefit Costs - 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. Investments are reported at fair value.

The Village also offers retiree healthcare benefits to retirees. The Village receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements, the Village reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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 statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. All other accrued compensated absences are reported in the government-wide financial statements; generally, the funds that report each employee's compensation (the General Fund and Public Safety Fund, primarily) are used to liquidate obligation.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Fund Operating Classification - Proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund is charges to customers for sales and services. The fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Village oversaw 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, through February of the current year. The Village charged 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 shortfall generated since July 1, 2016 is as follows:

Shortfall at July 1, 2016		\$ (1,043,670)
Current year building permit revenue		317,965
Related expenses:		
Direct costs	\$ 365,544	
Estimated indirect costs	<u>4,225</u>	<u>369,769</u>
Current year shortfall		<u>(51,804)</u>
Cumulative shortfall at June 30, 2017		<u>\$ (1,095,474)</u>

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	Primary Government		Fiduciary Funds
	Governmental Activities	Business-type Activities	
Deposits with financial institutions	\$ 2,174,210	\$ 52,569	\$ 249,137
Investments - Short-term investments	1,116,533	-	-
Total	<u>\$ 3,290,743</u>	<u>\$ 52,569</u>	<u>\$ 249,137</u>

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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. There are no limitations or restrictions on participant withdrawals for the short-term investment pools that are recorded at amortized cost.

The Pension Trust Fund and Retiree Healthcare Fund are also authorized by 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 seven 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 bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Village's deposits and investment policies are in accordance with statutory authority. The Village has not adopted an investment policy for the retiree healthcare funds.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

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's investment policy restricts bank deposits to Michigan-based banks (in accordance with state law); there are no further restrictions on custodianship of bank deposits. At year end, the Village had \$1,004,563 of bank deposits (certificates of deposit, 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. The federal depository insurance coverage pertains to all the deposits of the Village.

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. At year end, the Village does not have any investments subject to interest rate risk.

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

	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Primary Government			
Bank investment pool	\$ 650,899	Not rated	N/A
Comerica - J Fund	<u>1,458,634</u>	PI	Moody's
Total	<u>\$ 2,109,533</u>		

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

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

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

The Village did not have any investments valued with Level 1, Level 2, or Level 3 inputs at June 30, 2017.

Note 4 - Receivables

Receivables as of year end for the Village's individual major funds, the nonmajor fund, and business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Public Safety Fund	Nonmajor Funds	Total Governmental Funds	Business- type Activities
Receivables:							
Property taxes	\$ 854	\$ -	\$ -	\$ -	\$ -	\$ 854	\$ -
Special assessment	-	-	49,287	-	-	49,287	-
Customer billings	-	-	-	-	-	-	1,106,162
Other receivables	58,952	-	-	19,111	-	78,063	-
Intergovernmental	292,223	104,748	50,622	-	-	447,593	45,077
Net receivables	\$ 352,029	\$ 104,748	\$ 99,909	\$ 19,111	\$ -	\$ 575,797	\$ 1,151,239

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 5 - Capital Assets

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

	Balance July 1, 2016	Additions	Disposals and Adjustments	Balance June 30, 2017
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 209,936	\$ -	\$ -	\$ 209,936
Construction in progress	130,716	25,524	(118,899)	37,341
Subtotal	340,652	25,524	(118,899)	247,277
Capital assets being depreciated:				
Buildings and improvements	2,256,698	723,010	118,899	3,098,607
Roads and bridges	14,628,505	428,071	-	15,056,576
Equipment	3,010,445	175,662	(183,715)	3,002,392
Improvements other than buildings	1,497,965	10,583	-	1,508,548
Subtotal	21,393,613	1,337,326	(64,816)	22,666,123
Accumulated depreciation:				
Buildings and improvements	1,382,789	63,862	-	1,446,651
Roads and bridges	6,584,366	495,603	-	7,079,969
Equipment	2,075,837	185,671	(183,273)	2,078,235
Improvements other than buildings	1,044,865	65,052	-	1,109,917
Subtotal	11,087,857	810,188	(183,273)	11,714,772
Net capital assets being depreciated	10,305,756	527,138	118,457	10,951,351
Net capital assets	\$ 10,646,408	\$ 552,662	\$ (442)	\$ 11,198,628

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 5 - Capital Assets (Continued)

	Balance July 1, 2016	Additions	Disposals and Adjustments	Balance June 30, 2017
Business-type Activities				
Capital assets being depreciated:				
Water mains	\$ 7,046,210	\$ -	\$ -	\$ 7,046,210
Sanitary sewers and drains	22,216,848	-	-	22,216,848
Service buildings	42,163	-	-	42,163
Meters	823,041	-	-	823,041
Motor vehicles	83,552	-	-	83,552
Furniture and equipment	141,949	-	-	141,949
Subtotal	30,353,763	-	-	30,353,763
Accumulated depreciation:				
Water mains	1,282,272	70,175	-	1,352,447
Sanitary sewers and drains	7,596,090	438,392	-	8,034,482
Service buildings	42,163	-	-	42,163
Meters	336,686	42,550	-	379,236
Motor vehicles	83,552	-	-	83,552
Furniture and equipment	140,243	569	-	140,812
Subtotal	9,481,006	551,686	-	10,032,692
Net capital assets	\$ 20,872,757	\$ (551,686)	\$ -	\$ 20,321,071

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

Governmental activities:

General government	\$ 126,382
Public safety	188,203
Public works	495,603
Total governmental activities	\$ 810,188
Business-type activities - Water and sewer	\$ 551,686

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 402,031
	Local Streets Fund	65,486
	Special Park Millage Fund (a nonmajor governmental fund)	13,771
	Total General Fund	481,288
Capital Projects Fund (a nonmajor governmental fund)	Public Safety Fund	148,187
	Total	<u>\$ 629,475</u>

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

Fund Transferred From	Fund Transferred To	Amount
General Fund	Local Streets Fund	\$ 250,000
	Capital Projects Fund (a nonmajor governmental fund)	480,000
	Special Park Millage Fund (a nonmajor governmental fund)	12,900
	Total General Fund	742,900
Major Streets Fund	Capital Projects Fund (a nonmajor governmental fund)	150,000
Public Safety Fund	Capital Projects Fund (a nonmajor governmental fund)	125,000
Water and Sewer Fund	Capital Projects Infrastructure Fund (a nonmajor governmental fund)	174,193
	Total	<u>\$ 1,192,093</u>

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The transfer from the General Fund to the Local Streets Fund was used for roads, infrastructure, and other capital improvements. The transfer from the General Fund to the Capital Projects Fund was used for village hall renovations. The transfer from the General Fund to the Special Park Millage fund is to fund future capital improvements. The transfer from the Major Streets Fund to the Capital Projects Infrastructure Fund was for repairs and maintenance of major roads. The transfer from the Public Safety Fund to the Capital Projects Fund was for capital purchases. The transfer from the Water and Sewer Fund to the Capital Projects Infrastructure Fund was for repairs and maintenance of sewers.

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. County contractual agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Village is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the Village) are received.

Long-term debt activity can be summarized as follows:

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Due Within One Year
Governmental Activities					
2013 Fire truck installment purchase agreement, maturing through November 2019 with interest rate of 2.06%	\$ 342,517	\$ -	\$ 83,006	\$ 259,511	\$ 84,730
Accumulated compensated absences	319,325	140,485	191,595	268,215	160,929
Total governmental activities	\$ 661,842	\$ 140,485	\$ 274,601	\$ 527,726	\$ 245,659

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Debt (Continued)

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Due Within One Year
Business-type Activities					
1997 John Garfield Drain Bonds, maturing through November 2017 with interest ranging from 3.87% to 4.97%	\$ 15,482	\$ -	\$ 7,610	\$ 7,872	\$ 7,872
1998 North Arm Relief Drain Contract with City of Royal Oak (to support the Village's portion of Royal Oak bonds), maturing through September 2020 with interest at 2.25%	106,019	-	20,370	85,649	20,768
2000 George W. Kuhn Drain Bond Series A, maturing through April 2022 with interest at 2.5%	51,332	-	8,040	43,292	8,244
2001 George W. Kuhn Drain Bond Series C, maturing through April 2024 with interest at 2.5%	307,056	-	35,169	271,887	36,022
2001 George W. Kuhn Drain Bond Series D, maturing through April 2024 with interest at 2.5%	8,103	-	934	7,169	934
2003 Rummel Relief Drainage District Drain Bonds - Series 2003, maturing through May 2023 with interest ranging from 2.6% to 4.7%	112,421	-	16,779	95,642	18,457
2003 Drinking Water Revolving Fund Loan, maturing through April 2025 with interest at 2.125%	1,787,055	-	180,000	1,607,055	185,000
2005 George W. Kuhn Drain Bond Series 2005, maturing through April 2026 with interest at 1.625%	6,676	-	619	6,057	619
2007 George W. Kuhn Drain Bond Series G, maturing through April 2028 with interest at 1.625%	9,282	-	701	8,581	701
2007 George W. Kuhn Drain Bond Series 2007, maturing through April 2024, refunding 2000B and 2001E (August 2007) with interest ranging from 4.25% to 4.375%	61,606	-	7,879	53,727	8,203
2008 George W. Kuhn Drain Bond Series 2008H, maturing through April 2029 with interest at 2.50%	44,678	-	2,970	41,708	3,012
Total bonds payable	\$ 2,509,710	\$ -	\$ 281,071	\$ 2,228,639	\$ 289,832

Annual debt service requirements to maturity for the above obligations (excluding employee benefits) are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 84,730	\$ 5,395	\$ 90,125	\$ 289,832	\$ 52,831	\$ 342,663
2019	86,492	3,633	90,125	283,871	45,855	329,726
2020	88,289	1,835	90,124	290,944	39,015	329,959
2021	-	-	-	299,140	31,991	331,131
2022	-	-	-	289,092	24,965	314,057
2023-2027	-	-	-	767,095	34,663	801,758
2028-2029	-	-	-	8,665	51	8,716
Total	\$ 259,511	\$ 10,863	\$ 270,374	\$ 2,228,639	\$ 229,371	\$ 2,458,010

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Debt (Continued)

County Contractual Obligations - The above contractual obligations to Oakland County are the result of the county's issuance of bonds on the Village's behalf. The Village has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the obligations. Proceeds from the county bonds provided financing for the construction of the George W. Kuhn Drain. The remaining principal and interest to be paid on the bonds total \$410,570. During the current year, net expenses of the system, excluding depreciation, were \$357,125 compared to the annual debt requirements of \$69,388.

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 medical claims and participates in the Michigan Municipal League Workers' Compensation for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority for general liability claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims relating to commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Village. The Authority assists the Village in estimating claims for additional liabilities that may be paid beyond the balance sheet date. It is estimated that any such claims are insignificant for each of the last two years. Therefore, no liability has been recorded.

The Village is self insured for a portion of its healthcare reimbursement for the drug program. All active employees and retirees are eligible. Active employees have a copay, and retirees either have a \$2, \$3, or \$10 copay depending on the tier in which the drug is found. As of June 30, 2017, all related claims have been accrued.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 9 - Agent Defined Benefit 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 the administrative staff and public safety officers (see below) 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.

Prior to August 2013, all full-time public safety employees of the Village were covered by the Village of Beverly Hills Public Safety Officers' Retirement System (the "single-employer plan"), a single-employer defined benefit pension plan that was administered by a board of trustees consisting of the village president, a Village Council member, a citizen, and two public safety officers. During August 2013, the Village closed out the single-employer plan and transferred approximately \$15.7 million of assets to the Michigan Municipal Employees' Retirement System. The Village transferred additional funds of approximately \$170,000 that were held within the pension trust fund during the current fiscal year.

Deferred Retirement Option Plan (DROP) - The Village has a closed DROP plan for command officers who meet regular retirement eligibility. The plan was closed to new members as of January 1, 2013. Once a member elects to enter the DROP, monthly additions of 100 percent of the regular retirement benefit are credited to the participant's ICMA DROP account. The participant's DROP account is maintained and managed by ICMA. The maximum period of participation in the DROP is five years. The DROP employees continue working at their current salary level, but for pension plan purposes, they stop accruing benefits. During fiscal year 2017, the Village made no contributions into DROP accounts of participants.

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

The MERS plan covers general employees (closed to new hires), command and public safety officers (closed to new hires), general nonunion employees, and AFSCME employees.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Retirement benefits for employees are calculated as 2.50 percent of the employee's final two-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at 50 with 25 years of service (reduced benefits), or at 55 with 15 years of service (reduced benefits). 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. Death benefits equal 80 percent times the employee's final full-year salary. An employees who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 3 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 - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	52
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	<u>24</u>
Total employees covered by MERS	<u><u>85</u></u>

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

For the year ended June 30, 2017, the average active employee contribution rate was 3.4 percent of annual pay and the Village's average contribution rate was 24.1 percent of annual payroll.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Net Pension Liability

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

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 24,771,007	\$ 19,676,102	\$ 5,094,905
Service cost	341,278	-	341,278
Interest	1,939,231	-	1,939,231
Differences between expected and actual experience	(1,065,216)	-	(1,065,216)
Contributions - Employer	-	459,837	(459,837)
Contributions - Employee	-	65,122	(65,122)
Net investment income	-	2,195,311	(2,195,311)
Benefit payments, including refunds	(1,402,509)	(1,402,509)	-
Administrative expenses	-	(43,366)	43,366
Miscellaneous other charges	-	(132,415)	132,415
Net changes	(187,216)	1,141,980	(1,329,196)
Balance at December 31, 2016	\$ 24,583,791	\$ 20,818,082	\$ 3,765,709

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2017, the Village recognized pension expense of \$1,342,234. At June 30, 2017, 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	\$ 175,709	\$ (710,145)
Changes in assumptions	318,641	-
Net difference between projected and actual earnings on pension plan investments	824,749	-
Employer contributions to the plan subsequent to the measurement date	366,486	-
Total	<u>\$ 1,685,585</u>	<u>\$ (710,145)</u>

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2018	\$ 483,020
2019	(11,330)
2020	269,936
2021	(132,671)

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

Inflation	2.5 %
Salary increases	3.8 % In the long term
Investment rate of return	7.8 % Net of pension plan investment expense, including inflation

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 9 - Agent Defined Benefit Pension Plan (Continued)

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent RP-2014 Employee Mortality Tables, and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study covering the period from January 1, 2009 through December 31, 2013.

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

Projected Cash Flows

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

Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 9 - Agent Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	57.5 %	4.9 %
Global fixed income	20.0 %	1.1 %
Real assets	12.5 %	1.0 %
Diversifying strategies	10.0 %	1.0 %

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability of the Village	\$ 6,381,113	\$ 3,765,709	\$ 1,560,522

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

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

Note 10 - Other Postemployment Benefits

Plan Description - The Village provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to public safety and general employees. Currently, the plan has 61 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 healthcare plan administered by the Village. The benefits are provided under collective bargaining agreements. The Village has set aside advanced funding of this obligation in the Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle (RHFV) which is held in a separate reserve but invested on a pooled basis by MERS with other governmental units. During 2017, the Village transferred approximately \$461,000 of assets from the single-employer benefit plan administered by the Village to the RHFV. The balance as of June 30, 2017 in this restricted plan is approximately \$5,900,000. Administrative costs are paid by the Village. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy - The Village has required most full-time municipal employees to contribute 1.0 percent of their salary and public safety employees to contribute 2.0 percent of their salary to fund the retiree healthcare program. Retiree healthcare costs are recognized when 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. However, as shown below, the Village made contributions of \$1,151,735 into the plan to advance-fund these benefits, as determined by the Village Council through annual budget resolutions.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 10 - Other Postemployment Benefits (Continued)

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

Annual required contribution (recommended)	\$ 720,855
Interest on the prior year's net OPEB obligation	56,452
Less adjustment to the annual required contribution	<u>(52,510)</u>
Annual OPEB cost	724,797
Amounts contributed:	
Payments of current premiums	-
Advance funding	<u>(1,151,735)</u>
Increase in net OPEB obligation	(426,938)
OPEB obligation - Beginning of year	<u>940,864</u>
OPEB obligation - End of year	<u>\$ 513,926</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and preceding year were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/12	6/30/12	\$ 886,588	59.4 %	\$ 825,584
6/30/13	6/30/12	881,208	137.0	498,160
6/30/14	6/30/12	880,890	99.1	505,901
6/30/15	12/31/12	1,327,823	99.1	513,769
6/30/16	12/31/12	1,329,587	82.0	752,250
6/30/17	6/30/17	724,797	160.0	513,926

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 10 - Other Postemployment Benefits (Continued)

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll
12/31/07	\$ 1,477,211	\$ 15,970,399	\$ 14,493,188	9.2 %	\$ 2,466,105	587.7 %
6/30/11	2,037,029	14,639,936	12,602,907	13.9	2,476,185	509.0
6/30/12	2,700,830	13,340,700	10,639,870	20.2	2,296,226	463.4
12/31/12	2,882,497	15,266,042	12,383,545	18.9	2,154,252	574.8
6/30/17	6,141,787	14,916,871	8,775,084	41.2	1,337,528	656.1

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The following simplifying assumptions were made:

Retirement Age for Active Employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

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

Mortality - Mortality rates were based on the RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 10 - Other Postemployment Benefits (Continued)

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

Healthcare Cost Trend Rate - For the expected rate of increase in healthcare insurance premiums, a rate of 9 percent initially in 2018 was used, grading to an ultimate rate of 4.5 percent in 2027.

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

Inflation Rate - Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Payroll Growth Rate - The expected long-term payroll growth rate was assumed to be 4.5 percent for municipal employees and 4.0 percent for public safety employees.

Investment Rate of Return - Based on the historical and expected returns of the Village's short-term investment portfolio, a discount rate of 7.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar method on a closed basis. The remaining amortization period at June 30, 2017 was 27 years.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 11 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

	Pension and Other Employee Benefits	Retiree Health Care	Total
Statement of Net Position - Cash and cash equivalents	<u>\$ 76</u>	<u>\$ 228,600</u>	<u>\$ 228,676</u>
Statement of Changes in Net Position			
Investment income	\$ 1,342	\$ 1,132	\$ 2,474
Contributions	-	1,178,152	1,178,152
Benefit payments	(258,264)	(720,855)	(979,119)
Transfer to MERS	<u>(169,740)</u>	<u>(461,125)</u>	<u>(630,865)</u>
Net change in net position	<u>\$ (426,662)</u>	<u>\$ (2,696)</u>	<u>\$ (429,358)</u>

Note 12 - Other Postemployment Benefits Plan (GASB 74)

Plan Administration - The Village administers the Village of Beverly Hills Retiree Health Care Plan (the "Plan"), a single-employer defined benefit OPEB plan, that is used to provide postemployment benefits other than pensions (OPEB) for certain retirees public safety and general retirees.

Management of the Plan is vested with the Village administration.

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

Inactive plan members or beneficiaries currently receiving benefits	41
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>17</u>
Total	<u>61</u>

Benefits Provided - The Plan provides healthcare and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 12 - Other Postemployment Benefits Plan (GASB 74) (Continued)

Contributions - The Village has required most full-time municipal employees to contribute 1.0 percent of their salary and public safety employees to contribute 2.0 percent of their salary to fund the retiree healthcare program. Retiree healthcare costs are recognized when 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. However, the Village made contributions of \$1,140,973 into the Plan to advance fund these benefits, as determined by the Village Council through annual budget resolutions.

OPEB Plan Investments

Investment Policy - The Village has by resolution set aside advanced funding of this obligation in the Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle (RHFV) which is held in a separate reserve but invested on a pooled basis by MERS with other governmental units. The following was the target asset allocation policy of the Total Market Portfolio with MERS as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation (%)</u>
U.S. stock	22.50 %
International stock	12.50 %
Emerging market stock	15.50 %
U.S. bond	10.00 %
Global bond	7.00 %
Private equity	5.00 %
Cash	2.00 %
Commodity	5.00 %
Global real estate	9.00 %

Concentrations - At June 30, 2017, the Plan held 100 percent of its investment portfolio in the MERS RHFV.

Rate of Return - For the year ended June 30, 2017, the annual money weighted rate of return on plan investments, net of investment expense, was 12.99 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 12 - Other Postemployment Benefits Plan (GASB 74) (Continued)

Net OPEB Liability

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

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

Total OPEB liability	\$ (14,916,871)
Plan fiduciary net position	<u>6,141,787</u>
Net OPEB liability	<u>\$ (8,775,084)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	41 %

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2017. The valuation used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Mortality - Mortality rates were based on the RHP-2016 Total Dataset Mortality Table fully generational using Scale MP-2016.

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 74 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was initially based on a combination of employer history, national trend surveys, and professional judgment. The ultimate trend rate was selected based on historical medical CPI information. A rate of 9.0 percent initially, reduced to an ultimate rate of 4.5 percent after ten years, was used.

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

Inflation rate - Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Payroll growth rate - The expected long-term payroll growth rate was assumed to be 4.5 percent for municipal employees and 4.0 percent for public safety employees.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 12 - Other Postemployment Benefits Plan (GASB 74) (Continued)

Investment rate of return - The investment rate of return was assumed to be 6 percent, net of OPEB plan investment expense, including inflation.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of June 30, 2017 for each major asset class included in the target asset allocation are summarized in the following table.

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. stock	6.25 %
International stock	6.75 %
Emerging market stock	9.00 %
U.S. bond	4.00 %
Global bond	2.00 %
Private equity	8.00 %
Cash	2.00 %
Commodity	3.75 %
Global real estate	6.00 %

Discount Rate - The discount rate used to measure the total OPEB liability was 6.0 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates plus additional village contributions of \$115,281 per quarter.

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

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 12 - Other Postemployment Benefits Plan (GASB 74) (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability, calculated using the discount rate of 6.0 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.0 percent) or 1 percentage point higher (7.0 percent) than the current rate:

	1 Percent Decrease (5.0%)	Current Discount Rate (6.0%)	1 Percent Increase (7.0%)
Net OPEB liability	\$ 10,833,919	\$ 8,775,084	\$ 7,107,852

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability, calculated using the healthcare cost trend rate of 9.0 percent, decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (8.0 percent, decreasing to 3.5 percent) or 1 percentage point higher (10.0 percent, decreasing to 5.5 percent) than the current rate:

	1 Percent Decrease	Current healthcare cost trend rate	1 Percent Increase
Net OPEB liability	\$ 7,086,505	\$ 8,775,084	\$ 10,859,596

Note 13 - Joint Venture

Birmingham Area Cablecasting Board

The Village is a member of the Birmingham Area Cablecasting Board (BACB), which provides cable program-coordinating services to the residents of Birmingham, Bingham Farms, Beverly Hills, and Franklin Village. The Village has no explicit and measurable equity interest in the joint venture. The Village is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the BACB can be obtained from the administrative offices at P.O. Box 165, Birmingham, MI 48012.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 13 - Joint Venture (Continued)

Southeastern Oakland County Water Authority

The Village is a member of the Southeastern Oakland County Water Authority (the "Water Authority"), which provides a water supply system serving 11 member municipalities in Oakland County. The Village appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2017, the Village expensed \$733,118 of payments made to the Water Authority. The Village has no explicit and measurable equity interest in the joint venture. The Southeastern Oakland County Water Authority's operations are financially independent of the Village. The Village is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Southeastern Oakland County Water Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

Southeastern Oakland County Resource Recovery Authority

The Village is a member of the Southeastern Oakland County Resource Recovery Authority (the "Authority"), which consists of 12 municipalities in Oakland County and provides refuse disposal services for the benefit of member municipalities. The Village appoints one member of the joint venture's governing board, which approves the annual budget. The participating communities provide funding for its operations. During the year ended June 30, 2017, the Village expensed \$695,340 of payments to the Authority. The Village has no explicit and measurable equity interest in the joint venture. The Southeastern Oakland County Resource Recovery Authority's operations are financially independent of the Village. The Village is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. Complete financial statements for the Southeastern Oakland County Resource Recovery Authority can be obtained from the administrative offices at 3910 Webster Road, Royal Oak, MI 48073.

Note 14 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Village to recognize on the face of the financial statements its net OPEB liability related to the OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Village's financial statements for the year ending June 30, 2018.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 14 - Upcoming Accounting Pronouncements (Continued)

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Village's financial statements for the 2019-2020 fiscal year.

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Village's financial statements for the 2017-2018 fiscal year.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Village's financial statements for the 2017-2018 fiscal year.

In June 2017, the Governmental Accounting Standards Board issued GASB 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 previously were 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 are effective for the Village's financial statements for the 2020-2021 fiscal year.

Village of Beverly Hills, Michigan

Notes to Financial Statements June 30, 2017

Note 15 - Change in Accounting

During the year, the Village adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer(s) to plan members for benefits provided through the other postemployment benefits (OPEB) plan. As a result, the disclosures within the OPEB plan footnotes have changed considerably, along with the related schedules in the required supplemental information.

Required Supplemental Information

Village of Beverly Hills, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 977,808	\$ 977,808	\$ 977,905	\$ 97
Licenses and permits	3,500	203,500	313,761	110,261
Federal grants	14,534	14,534	9,295	(5,239)
State-shared revenue and grants	838,067	838,067	852,499	14,432
Charges for services	694,000	635,000	659,360	24,360
Fines and forfeitures	21,000	-	34,469	34,469
Investment income	3,500	3,500	6,564	3,064
Other revenue	346,318	331,318	364,274	32,956
Total revenue	2,898,727	3,003,727	3,218,127	214,400
Expenditures - Current				
General government:				
Village Council (recovery)	48,570	48,570	(26,143)	74,713
Manager/Clerk	288,533	309,533	299,406	10,127
Finance director	246,098	252,098	251,266	832
Buildings and grounds	39,644	45,644	42,255	3,389
General administration	434,579	553,579	530,638	22,941
Total general government	1,057,424	1,209,424	1,097,422	112,002
Public works:				
Public services	878,635	878,635	910,299	(31,664)
Building and planning	118,911	343,911	365,545	(21,634)
Total public works	997,546	1,222,546	1,275,844	(53,298)
Community and economic development				
Capital outlay	107,205	122,705	92,032	30,673
Transfers to other funds	32,500	18,500	-	18,500
Total expenditures	715,000	742,900	742,900	-
Total expenditures	2,909,675	3,316,075	3,208,198	107,877
Net Change in Fund Balance	(10,948)	(312,348)	9,929	322,277
Fund Balance - Beginning of year	1,321,066	1,321,066	1,321,066	-
Fund Balance - End of year	<u>\$ 1,310,118</u>	<u>\$ 1,008,718</u>	<u>\$ 1,330,995</u>	<u>\$ 322,277</u>

Village of Beverly Hills, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 552,107	\$ 552,107	\$ 541,503	\$ (10,604)
Investment income	500	500	2,431	1,931
Other revenue	2,435	2,435	23,620	21,185
Total revenue	555,042	555,042	567,554	12,512
Expenditures - Current - Public works	547,875	467,875	389,561	78,314
Transfers Out	(250,000)	(150,000)	(150,000)	-
Net Change in Fund Balance	(242,833)	(62,833)	27,993	90,826
Fund Balance - Beginning of year	552,498	552,498	552,498	-
Fund Balance - End of year	<u>\$ 309,665</u>	<u>\$ 489,665</u>	<u>\$ 580,491</u>	<u>\$ 90,826</u>

Village of Beverly Hills, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 265,844	\$ 265,844	\$ 298,644	\$ 32,800
Special assessments and other	2,200	2,200	30,026	27,826
Total revenue	268,044	268,044	328,670	60,626
Expenditures - Current - Public works	611,560	661,560	649,005	12,555
Other Financing Sources -				
Transfers in	250,000	250,000	250,000	-
Net Change in Fund Balance	(93,516)	(143,516)	(70,335)	73,181
Fund Balance - Beginning of year	432,762	432,762	432,762	-
Fund Balance - End of year	<u>\$ 339,246</u>	<u>\$ 289,246</u>	<u>\$ 362,427</u>	<u>\$ 73,181</u>

Village of Beverly Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Public Safety Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,048,254	\$ 5,048,254	\$ 5,044,368	\$ (3,886)
State-shared revenue and grants	5,200	5,200	16,931	11,731
Charges for services	120,513	120,513	70,771	(49,742)
Fines and forfeitures	90,000	90,000	73,606	(16,394)
Investment income	3,500	3,500	9,864	6,364
Other revenue	15,000	15,000	13,010	(1,990)
Total revenue	5,282,467	5,282,467	5,228,550	(53,917)
Expenditures - Current				
Public safety	4,934,503	5,550,502	5,388,213	162,289
Debt service	90,125	90,125	90,125	-
Total expenditures	5,024,628	5,640,627	5,478,338	162,289
Transfers Out	(125,000)	(125,000)	(125,000)	-
Net Change in Fund Balance	132,839	(483,160)	(374,788)	108,372
Fund Balance - Beginning of year	620,729	620,729	620,729	-
Fund Balance - End of year	<u>\$ 753,568</u>	<u>\$ 137,569</u>	<u>\$ 245,941</u>	<u>\$ 108,372</u>

Village of Beverly Hills, Michigan

Note to Required Supplemental Information Year Ended June 30, 2017

Budgetary Information - The annual budget is prepared by village management and adopted by the Village Council; subsequent amendments are approved by the Village Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2017 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget process begins in January when each department head calculates its appropriation request. This is due by the first Monday in March. The budget is submitted to the Village Council at the first meeting in April. During the next month, the Village Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by resolution no later than the second regular meeting in May.

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 have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)" and the budgetary schedules include the use of fund balance as a revenue. Also, in accordance with Governmental Accounting Standards Board Statement No. 54, the Tax Collection Fund, Sick Pay Severance Fund, and Vacation Reserve Fund are presented within the General Fund for financial reporting purposes but are not budgeted in that manner.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the Village Council is at the department level. If any department exceeds budget appropriations, the Village Council may, by resolution, amend the department's appropriation. 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.

A reconciliation of the budgetary comparison schedules to the fund-based statement of revenue, expenditures, and changes in fund balances is as follows:

	Total Revenue	Total Expenditures
General Fund:		
Amounts per operating statement	\$ 3,238,771	\$ 2,573,889
Other financing sources and uses budgeted as revenue and expenditures	4,200	742,900
Tax Collection Fund	(63)	-
Sick Pay Severance Fund	(485)	(22,291)
Vacation Reserve Fund	(24,296)	(86,300)
Amounts per budget statement	<u>\$ 3,218,127</u>	<u>\$ 3,208,198</u>

Village of Beverly Hills, Michigan

Note to Required Supplemental Information (Continued) Year Ended June 30, 2017

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Village incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Public services	\$ 878,635	\$ 910,299	\$ (31,664)
General Fund - Building and planning	343,911	365,545	(21,634)

The variance in the General Fund for public works relates to rubbish collection and disposal fees greater than budgeted due to an increase in volume. The variance in building and planning relates to higher building inspector fees paid due to a higher than anticipated volume of permit activity. The increased costs are offset by increased permit revenue.

Village of Beverly Hills, Michigan

Required Supplemental Information OPEB System Schedule of Funding Progress Year Ended June 30, 2017

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/07	\$ 1,477,211	\$ 15,970,399	\$ 14,493,188	9.2	\$ 2,466,105	587.7
6/30/11	2,037,029	14,639,936	12,602,907	13.9	2,476,185	509.0
6/30/12	2,700,830	13,340,700	10,639,870	20.2	2,296,226	463.4
12/31/12	2,882,497	15,266,042	12,383,545	18.9	2,154,252	574.8
6/30/17	6,141,787	14,916,871	8,775,084	41.2	1,337,528	656.1

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/12	6/30/12	\$ 873,022	137.0 %
6/30/13	6/30/12	873,022	99.1
6/30/14	6/30/12	873,022	99.1
6/30/15	12/31/12	1,319,382	82.6
6/30/16	12/31/12	1,317,680	86.6
6/30/17	6/30/17	720,855	160.0

Village of Beverly Hills, Michigan

Required Supplemental Information Schedule of Changes in the Village's Net Pension Liability and Related Ratios Last Ten Fiscal Years

(Schedule is built prospectively upon implementation of GASB 68)

	2016	2015	2014
Total Pension Liability			
Service cost	\$ 341,278	\$ 395,718	\$ 410,029
Interest	1,939,231	1,821,548	1,756,681
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(1,065,216)	527,126	-
Changes in assumptions	-	955,924	-
Benefit payments, including refunds	(1,402,509)	(1,621,661)	(1,124,891)
Net Change in Total Pension Liability	(187,216)	2,078,655	1,041,819
Total Pension Liability - Beginning of year	24,771,007	22,692,352	21,650,533
Total Pension Liability - End of year	\$ 24,583,791	\$ 24,771,007	\$ 22,692,352
Plan Fiduciary Net Position			
Contributions - Employer	\$ 459,837	\$ 378,302	\$ 364,160
Contributions - Member	65,122	74,509	826,364
Net investment income	2,195,311	(313,771)	1,274,423
Administrative expenses	(43,366)	(45,714)	(46,937)
Benefit payments, including refunds	(1,402,509)	(1,621,661)	(1,124,891)
Other	(132,415)	-	-
Net Change in Plan Fiduciary Net Position	1,141,980	(1,528,335)	1,293,119
Plan Fiduciary Net Position - Beginning of year	19,676,102	21,204,437	19,911,319
Plan Fiduciary Net Position - End of year	\$ 20,818,082	\$ 19,676,102	\$ 21,204,438
Village's Net Pension Liability - Ending	\$ 3,765,709	\$ 5,094,905	\$ 1,487,914
Plan Fiduciary Net Position as a Percent of Total Pension Liability	84.68 %	79.43 %	93.44 %
Covered Employee Payroll	\$ 1,905,227	\$ 2,157,414	\$ 2,309,827
Village's Net Pension Liability as a Percent of Covered Employee Payroll	197.7 %	236.2 %	64.4 %

Village of Beverly Hills, Michigan

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

	2017
Total OPEB Liability	
Service cost	\$ 154,954
Interest	719,701
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	2,412,873
Benefit payments, including refunds	(720,855)
Net Change in Total OPEB Liability	2,566,673
Total OPEB Liability - Beginning of year	12,350,198
Total OPEB Liability - End of year	\$ 14,916,871
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,151,735
Contributions - Active and inactive plan members not yet receiving benefits	26,417
Net investment income	643,833
Administrative expenses	(13,009)
Benefit payments, including refunds	(720,855)
Net Change in Plan Fiduciary Net Position	1,088,121
Plan Fiduciary Net Position - Beginning of year	5,053,666
Plan Fiduciary Net Position - End of year	\$ 6,141,787
Net OPEB Liability - Ending	\$ 8,775,084
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	41.17 %
Covered Employee Payroll	\$ 1,337,528
Net OPEB Liability as a Percentage of Covered Employee Payroll	656.1 %

Other Supplemental Information

Village of Beverly Hills, Michigan

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

	Special Revenue Funds		Capital Projects Funds				Total Nonmajor Governmental Funds
	Drug Law Enforcement	Library	Capital Projects Fund	Capital Projects Infrastructure	Coryell/ Hummel/ SAD	Special Park Millage Fund	
Assets							
Cash and investments	\$ 55,362	\$ 119,290	\$ 270,452	\$ -	\$ 53,645	\$ 20,278	\$ 519,027
Due from other funds	-	-	148,187	-	-	-	148,187
Total assets	<u>\$ 55,362</u>	<u>\$ 119,290</u>	<u>\$ 418,639</u>	<u>\$ -</u>	<u>\$ 53,645</u>	<u>\$ 20,278</u>	<u>\$ 667,214</u>
Liabilities							
Accounts payable	\$ -	\$ 117,053	\$ -	\$ -	\$ -	\$ -	\$ 117,053
Due to other funds	-	-	-	-	-	13,771	13,771
Total liabilities	-	117,053	-	-	-	13,771	130,824
Fund Balances							
Restricted:							
Roads	-	-	121,067	-	-	-	121,067
Capital projects - Public safety	-	-	290,594	-	-	-	290,594
Drug law enforcement	55,362	-	-	-	-	-	55,362
Library	-	2,237	-	-	-	-	2,237
Assigned	-	-	6,978	-	53,645	6,507	67,130
Total fund balances	<u>55,362</u>	<u>2,237</u>	<u>418,639</u>	<u>-</u>	<u>53,645</u>	<u>6,507</u>	<u>536,390</u>
Total liabilities and fund balances	<u>\$ 55,362</u>	<u>\$ 119,290</u>	<u>\$ 418,639</u>	<u>\$ -</u>	<u>\$ 53,645</u>	<u>\$ 20,278</u>	<u>\$ 667,214</u>

Village of Beverly Hills, Michigan

	Special Revenue Funds		Capital Projects Funds	
	Drug Law Enforcement	Library	Capital Projects Fund	Capital Projects Infrastructure
Revenue				
Property taxes	\$ -	\$ 467,776	\$ -	\$ -
State-shared revenue and grants	-	1,172	-	-
Fines and forfeitures	9,027	-	-	-
Interest income	266	1,479	3,558	-
Other	-	-	6,340	-
Total revenue	9,293	470,427	9,898	-
Expenditures - Current				
Public safety	3,715	-	-	-
Library	-	468,212	-	-
Capital outlay	-	-	845,197	-
Total expenditures	3,715	468,212	845,197	-
Excess of Revenue Over (Under) Expenditures	5,578	2,215	(835,299)	-
Other Financing Sources -				
Transfers in	-	-	755,000	174,193
Net Change in Fund Balances	5,578	2,215	(80,299)	174,193
Fund Balances - Beginning of year	49,784	22	498,938	(174,193)
Fund Balances - End of year	\$ 55,362	\$ 2,237	\$ 418,639	\$ -

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

Capital Projects Funds		Total Nonmajor Governmental Funds
Coryell/Hummel SAD	Special Park Millage Fund	
\$ -	\$ -	\$ 467,776
-	-	1,172
-	-	9,027
112	91	5,506
-	-	6,340
112	91	489,821
-	-	3,715
-	-	468,212
-	16,556	861,753
-	16,556	1,333,680
112	(16,465)	(843,859)
-	12,900	942,093
112	(3,565)	98,234
53,533	10,072	438,156
\$ 53,645	\$ 6,507	\$ 536,390

Village of Beverly Hills, Michigan

Other Supplemental Information Combining Statement of Net Position Fiduciary Funds June 30, 2017

	Pension Trust Funds		
	Pension and Other Employee Benefits	Retiree Health Care	Total Pension Trust Funds
Assets - Cash and cash equivalents	\$ 76	\$ 228,600	\$ 228,676
Net Position Held in Trust for Pension and Other Employee Benefits - Total assets	\$ 76	\$ 228,600	\$ 228,676

Village of Beverly Hills, Michigan

Other Supplemental Information Combining Statement of Changes in Net Position Fiduciary Funds Year Ended June 30, 2017

	Pension and Other Employee Benefits	Retiree Health Care	Total
Additions			
Investment income - Interest and dividends	\$ 1,342	\$ 1,132	\$ 2,474
Contributions:			
Employer	-	1,151,735	1,151,735
Employee	-	26,417	26,417
Net contributions	-	1,178,152	1,178,152
Total additions	1,342	1,179,284	1,180,626
Deductions			
Benefit payments	258,264	720,855	979,119
Transfer to MERS	169,740	461,125	630,865
Net Decrease in Net Position Held in Trust	(426,662)	(2,696)	(429,358)
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	426,738	231,296	658,034
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 76</u>	<u>\$ 228,600</u>	<u>\$ 228,676</u>