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# Village of Beverly Hills, Michigan

Oakland County, Michigan

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2019**

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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, 2019 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, 2019 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Village Council  
Village of Beverly Hills, Michigan

**Other Matters**

*Required Supplemental Information*

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

*Other Information*

Our audit was conducted for the purpose of forming an opinion 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 the purpose of additional analysis and is not a required part of the basic financial statements.

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

*Plante & Moran, PLLC*

October 1, 2019

As management of the Village of Beverly Hills, Michigan (the "Village"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2019.

### **Overview of the Financial Statements**

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

### **Government-wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances in a manner similar to a private sector business. The statement of net position presents financial information on all of the Village's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the Village include providing water and sewage disposal.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Village's funds can be divided into the following three categories:

- **Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The Village adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.
- **Proprietary Funds** - The Village maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for its water and sewage disposal activities.
- **Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Village's fiduciary funds include both the pension and other postemployment benefit trust funds and agency funds.

## Village of Beverly Hills, Michigan

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

#### Notes and Other Information

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the Village's progress in funding its obligation to provide pension and other postemployment benefits (OPEB) to its employees. The combining statements in connection with nonmajor governmental funds and fiduciary funds are presented immediately following the required supplemental information on pensions and OPEB.

#### Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Village, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$27,472,027 at the close of the most recent fiscal year.

#### The Village's Net Position

	Governmental Activities				
	2017*	2018	2019	Change	Percent Change
<b>Assets</b>					
Current and other assets	\$ 4,561,800	\$ 4,493,172	\$ 5,443,560	\$ 950,388	21.2
Capital assets	11,198,628	12,324,741	12,400,560	75,819	0.6
Total assets	15,760,428	16,817,913	17,844,120	1,026,207	6.1
<b>Deferred Outflows of Resources</b>	1,685,585	410,157	2,066,193	1,656,036	403.8
<b>Liabilities</b>					
Current liabilities	894,454	656,523	402,161	(254,362)	(38.7)
Noncurrent liabilities	4,819,861	7,430,855	9,509,199	2,078,344	28.0
Total liabilities	5,714,315	8,087,378	9,911,360	1,823,982	22.6
<b>Deferred Inflows of Resources</b>	710,145	2,442,249	968,923	(1,473,326)	(60.3)
<b>Net Position</b>					
Net investment in capital assets	10,939,117	11,545,160	11,785,247	240,087	2.1
Restricted	1,726,517	1,243,451	1,873,155	629,704	50.6
Unrestricted	(1,644,081)	(6,090,168)	(4,628,372)	1,461,796	(24.0)
Total net position	<b>\$ 11,021,553</b>	<b>\$ 6,698,443</b>	<b>\$ 9,030,030</b>	<b>\$ 2,331,587</b>	34.8

	Business-type Activities				
	2017	2018	2019	Change	Percent Change
<b>Assets</b>					
Current and other assets	\$ 849,228	\$ 904,629	\$ 1,185,005	\$ 280,376	31.0
Capital assets	20,321,071	19,767,206	19,210,876	(556,330)	(2.8)
Total assets	21,170,299	20,671,835	20,395,881	(275,954)	(1.3)
<b>Liabilities</b>					
Current liabilities	302,160	288,376	286,976	(1,400)	(0.5)
Noncurrent liabilities	2,228,639	1,938,442	1,666,908	(271,534)	(14.0)
Total liabilities	2,530,799	2,226,818	1,953,884	(272,934)	(12.3)
<b>Net Position</b>					
Net investment in capital assets	18,092,432	17,828,764	17,556,468	(272,296)	(1.5)
Unrestricted	547,068	616,253	885,529	269,276	43.7
Total net position	<b>\$ 18,639,500</b>	<b>\$ 18,445,017</b>	<b>\$ 18,441,997</b>	<b>\$ (3,020)</b>	-

## Village of Beverly Hills, Michigan

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

#### The Village's Changes in Net Position

	Governmental Activities				
	2017*	2018	2019	Change	Percent Change
<b>Revenue</b>					
Program revenue:					
Charges for services	\$ 1,164,219	\$ 1,135,598	\$ 1,221,324	\$ 85,726	7.5
Operating grants	876,121	1,007,846	1,079,134	71,288	7.1
Capital grants	-	404,414	166,736	(237,678)	(58.8)
General revenue:					
Taxes	6,490,049	6,596,763	6,913,547	316,784	4.8
State-shared revenue and grants	872,134	916,399	888,111	(28,288)	(3.1)
Investment earnings	26,539	59,075	128,465	69,390	117.5
Other revenue	250,842	444,263	386,111	(58,152)	(13.1)
<b>Total revenue</b>	<b>9,679,904</b>	<b>10,564,358</b>	<b>10,783,428</b>	<b>219,070</b>	<b>2.1</b>
<b>Expenses</b>					
General government	1,097,709	831,834	987,087	155,253	18.7
Public safety	5,815,996	4,906,726	4,698,778	(207,948)	(4.2)
Public works	2,300,488	2,559,144	2,105,091	(454,053)	(17.7)
Community and economic development	96,023	82,582	92,892	10,310	12.5
Recreation and culture	480,777	507,809	545,642	37,833	7.5
Debt service	58,394	13,957	22,351	8,394	60.1
<b>Total expenses</b>	<b>9,849,387</b>	<b>8,902,052</b>	<b>8,451,841</b>	<b>(450,211)</b>	<b>(5.1)</b>
<b>Transfers</b>	<b>174,193</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ 4,710</b>	<b>\$ 1,662,306</b>	<b>\$ 2,331,587</b>	<b>\$ 669,281</b>	<b>40.3</b>
<b>Business-type Activities</b>					
	2017	2018	2019	Change	Percent Change
<b>Revenue</b>					
Charges for services:					
Charges for services	\$ 4,423,937	\$ 4,462,010	\$ 4,713,159	\$ 251,149	5.6
Capital grants	65,472	-	-	-	-
Investment income	103	290	2,165	1,875	646.6
<b>Total revenue</b>	<b>4,489,512</b>	<b>4,462,300</b>	<b>4,715,324</b>	<b>253,024</b>	<b>5.7</b>
<b>Expenses</b>	<b>4,544,696</b>	<b>4,656,783</b>	<b>4,718,344</b>	<b>61,561</b>	<b>1.3</b>
<b>Transfers</b>	<b>(174,193)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ (229,377)</b>	<b>\$ (194,483)</b>	<b>\$ (3,020)</b>	<b>\$ 191,463</b>	<b>(98.4)</b>

\*Balances reported for 2017 have not been adjusted for the implementation of GASB Statement No. 75.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations - increased by approximately \$1,462,000 for the governmental activities. The current level of unrestricted net position for our governmental activities stands at a deficit of \$4,628,372. The overall net pension obligation as of June 30, 2019 totaled approximately \$5,273,000. The pension liability is 79.1 percent funded. The net retiree healthcare obligation totaled approximately \$3,267,000, a funding ratio of 69.1 percent. Village management believes the funding ratios of the pension and the retiree health care puts the Village in an excellent position for financial stability moving forward.

## Village of Beverly Hills, Michigan

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

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The Village's total governmental revenue increased by approximately \$219,000. The increase was primarily due to grants, increased property values (resulting in slightly higher property taxes), and other miscellaneous revenue.

Governmental expenses had a net decrease during the year of approximately \$450,000. The decrease included various general governmental increases of \$155,000 and public safety decreases of \$208,000 primarily due to a decrease in retiree health paid by the Village. Also included are decreases in public work expenses of \$454,000 due to a reduction in Eryt Dam expenses compared to the prior year.

Water units purchased by the Village from the Southeastern Oakland County Water Authority, as well as units billed to customers, decreased slightly from the previous fiscal year. The Water and Sewer Fund reported operating income of approximately \$34,000 and a loss in net position of approximately \$3,000 during the year.

#### **Financial Analysis of Individual Funds**

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements.

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 \$5.16 million in fiscal year 2018-2019.

#### **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 \$109,267 under the amended budget in the General Fund.

#### **Capital Assets and Debt Administration**

At June 30, 2019, the Village had more than \$31.6 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 approximately \$822,000 of governmental capital assets (net of disposals). The majority of the additions related to improvements to village infrastructure.

#### **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 \$551.7 million in the 2017-2018 fiscal year to \$578.8 million in the 2018-2019 fiscal year. The taxable value increases are limited by the Headlee Amendment, which automatically "rolls back" tax millage rates to the rate of inflation.

The Village charges for water consumption and sanitary sewer based on usage. In fiscal year 2016, the Village implemented a fixed rate for infrastructure and debt service to ensure that revenue will be sufficient to cover debt service payments and necessary maintenance and capital repair costs. Water and sewer rates for fiscal year 2018 2019 increased from \$7.29/unit to \$7.80/unit. The quarterly infrastructure charge remained unchanged at \$70.00. The quarterly debt service charge of \$20.00 also remained unchanged in fiscal year 2019.

#### **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. This report, village budgets, and other financial information are available on the Village's website at [www.villagebeverlyhills.com](http://www.villagebeverlyhills.com).

# Village of Beverly Hills, Michigan

## Statement of Net Position

June 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 4,509,977	\$ 18,566	\$ 4,528,543
Receivables - Net (Note 4)	429,854	1,210,350	1,640,204
Internal balances (Note 6)	141,751	(141,751)	-
Inventory	-	96,095	96,095
Prepaid expenses and other assets	361,978	1,745	363,723
Capital assets:			
Assets not subject to depreciation (Note 5)	935,187	-	935,187
Assets subject to depreciation (Note 5)	11,465,373	19,210,876	30,676,249
Total assets	17,844,120	20,395,881	38,240,001
<b>Deferred Outflows of Resources</b>			
Deferred pension costs (Note 9)	1,664,079	-	1,664,079
Deferred OPEB costs (Note 10)	402,114	-	402,114
Total deferred outflows of resources	2,066,193	-	2,066,193
<b>Liabilities</b>			
Accounts payable	207,609	265,759	473,368
Accrued liabilities and other	194,552	21,217	215,769
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 7)	189,903	-	189,903
Current portion of long-term debt (Note 7)	168,777	290,945	459,722
Due in more than one year:			
Compensated absences (Note 7)	126,602	-	126,602
Provision for claims (Note 8)	37,500	12,500	50,000
Net pension obligation (Note 9)	5,272,903	-	5,272,903
Net retiree healthcare obligation (Note 10)	3,266,978	-	3,266,978
Long-term debt (Note 7)	446,536	1,363,463	1,809,999
Total liabilities	9,911,360	1,953,884	11,865,244
<b>Deferred Inflows of Resources</b>			
Deferred pension cost reductions (Note 9)	98,327	-	98,327
Deferred OPEB cost reductions (Note 10)	870,596	-	870,596
Total deferred inflows of resources	968,923	-	968,923
<b>Net Position</b>			
Net investment in capital assets	11,785,247	17,556,468	29,341,715
Restricted for:			
Streets and highways	983,949	-	983,949
Drug law enforcement	52,519	-	52,519
Library	10,959	-	10,959
Public safety	825,728	-	825,728
Unrestricted	(4,628,372)	885,529	(3,742,843)
Total net position	<u>\$ 9,030,030</u>	<u>\$ 18,441,997</u>	<u>\$ 27,472,027</u>

## Village of Beverly Hills, Michigan

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Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 987,087	\$ 7,502	\$ -	\$ -
Public safety	4,698,778	557,921	12,048	-
Public works	2,105,091	610,620	1,025,858	166,736
Community and economic development	92,892	45,281	4,680	-
Recreation and culture	545,642	-	36,548	-
Interest on long-term debt	22,351	-	-	-
Total governmental activities	8,451,841	1,221,324	1,079,134	166,736
Business-type activities - Water and sewer	4,718,344	4,713,159	-	-
Total primary government	<b>\$ 13,170,185</b>	<b>\$ 5,934,483</b>	<b>\$ 1,079,134</b>	<b>\$ 166,736</b>

### General revenue:

Property taxes  
 State-shared revenue and grants  
 Unrestricted investment income  
 Gain on sale of capital assets  
 Other miscellaneous income

Total general revenue

### Change in Net Position

**Net Position** - Beginning of year

**Net Position** - End of year

## Statement of Activities

Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (979,585)	\$ -	\$ (979,585)
(4,128,809)	-	(4,128,809)
(301,877)	-	(301,877)
(42,931)	-	(42,931)
(509,094)	-	(509,094)
(22,351)	-	(22,351)
(5,984,647)	-	(5,984,647)
-	(5,185)	(5,185)
(5,984,647)	(5,185)	(5,989,832)
6,913,547	-	6,913,547
888,111	-	888,111
128,465	2,165	130,630
17,199	-	17,199
368,912	-	368,912
8,316,234	2,165	8,318,399
2,331,587	(3,020)	2,328,567
6,698,443	18,445,017	25,143,460
<b><u>\$ 9,030,030</u></b>	<b><u>\$ 18,441,997</u></b>	<b><u>\$ 27,472,027</u></b>

# Village of Beverly Hills, Michigan

## Governmental Funds Balance Sheet

June 30, 2019

	General Fund	Major Streets Fund	Local Streets Fund	Public Safety Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments (Note 3)	\$ 2,510,232	\$ 280,995	\$ 579,671	\$ 780,807	\$ 358,272	\$ 4,509,977
Receivables - Net (Note 4)	199,720	120,466	79,642	30,026	-	429,854
Due from other funds (Note 6)	179,461	-	-	-	-	179,461
Prepaid expenses and other assets	12,521	-	-	91,070	-	103,591
<b>Total assets</b>	<b>\$ 2,901,934</b>	<b>\$ 401,461</b>	<b>\$ 659,313</b>	<b>\$ 901,903</b>	<b>\$ 358,272</b>	<b>\$ 5,222,883</b>
<b>Liabilities</b>						
Accounts payable	\$ 85,705	\$ 30,942	\$ 15,669	\$ 75,293	\$ -	\$ 207,609
Due to other funds (Note 6)	-	-	37,710	-	-	37,710
Accrued liabilities and other	184,103	-	-	882	-	184,985
<b>Total liabilities</b>	<b>269,808</b>	<b>30,942</b>	<b>53,379</b>	<b>76,175</b>	<b>-</b>	<b>430,304</b>
<b>Deferred Inflows of Resources -</b>						
Unavailable revenue	159,435	-	21,588	-	-	181,023
<b>Fund Balances</b>						
Nonspendable	12,521	-	-	91,070	-	103,591
Restricted:						
Roads	-	370,519	584,346	-	7,496	962,361
Public safety	-	-	-	734,658	-	734,658
Capital projects	-	-	-	-	13	13
Drug law enforcement	-	-	-	-	52,519	52,519
Library	-	-	-	-	10,959	10,959
Assigned:						
Capital projects	-	-	-	-	287,285	287,285
Sick pay severance	173,053	-	-	-	-	173,053
Vacation reserve	87,122	-	-	-	-	87,122
Unassigned	2,199,995	-	-	-	-	2,199,995
<b>Total fund balances</b>	<b>2,472,691</b>	<b>370,519</b>	<b>584,346</b>	<b>825,728</b>	<b>358,272</b>	<b>4,611,556</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 2,901,934</b>	<b>\$ 401,461</b>	<b>\$ 659,313</b>	<b>\$ 901,903</b>	<b>\$ 358,272</b>	<b>\$ 5,222,883</b>

## Village of Beverly Hills, Michigan

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

June 30, 2019

<b>Fund Balances Reported in Governmental Funds</b>	\$ 4,611,556
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	12,400,560
The funds defer recognition of revenue of any amounts not collected within 60 days of the end of the year	181,023
Amounts on deposit with the insurance authority (MMRMA) are not reported as fund assets	258,387
Installment purchase agreements are not due and payable in the current period and are not reported in the funds	(615,313)
Accrued interest is not due and payable in the current period and is not reported in the funds	(9,567)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(316,505)
Pension benefits	(3,707,151)
Retiree healthcare benefits	(3,735,460)
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	(37,500)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 9,030,030</u></b>

# Village of Beverly Hills, Michigan

## Governmental Funds

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

**Year Ended June 30, 2019**

	General Fund	Major Streets Fund	Local Streets Fund	Public Safety Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenue</b>						
Property taxes and related fees	\$ 1,132,779	\$ -	\$ -	\$ 5,272,591	\$ 488,990	\$ 6,894,360
State-shared revenue and grants:						
Federal grants	4,680	-	-	2,847	-	7,527
State sources	957,738	812,698	333,659	20,150	1,195	2,125,440
Local grants and contributions	1,500	31,597	-	-	-	33,097
Charges for services:						
Construction code fees	338,041	-	-	-	-	338,041
Charges to other funds	161,948	-	-	-	-	161,948
Rubbish collection and disposal	591,360	-	-	-	-	591,360
Other charges	-	-	-	142,189	-	142,189
Fines and forfeitures	-	-	-	110,908	2,718	113,626
Licenses and permits	32,708	-	-	-	-	32,708
Interest and rentals	48,118	8,628	12,320	46,364	13,035	128,465
Other revenue	412,515	1,094	17,131	21,680	-	452,420
<b>Total revenue</b>	<b>3,681,387</b>	<b>854,017</b>	<b>363,110</b>	<b>5,616,729</b>	<b>505,938</b>	<b>11,021,181</b>
<b>Expenditures</b>						
Current services:						
General government	1,179,391	-	-	-	-	1,179,391
Public safety	460,789	-	-	4,908,575	1,950	5,371,314
Public works	956,252	857,464	399,110	-	-	2,212,826
Community and economic development	92,666	-	-	-	-	92,666
Recreation and culture	49,693	-	-	-	489,752	539,445
Capital outlay	8,372	-	-	62,632	170,749	241,753
Debt service	-	-	-	188,986	-	188,986
<b>Total expenditures</b>	<b>2,747,163</b>	<b>857,464</b>	<b>399,110</b>	<b>5,160,193</b>	<b>662,451</b>	<b>9,826,381</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>934,224</b>	<b>(3,447)</b>	<b>(36,000)</b>	<b>456,536</b>	<b>(156,513)</b>	<b>1,194,800</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in (Note 6)	-	50,000	200,000	-	100,000	350,000
Transfers out (Note 6)	(350,000)	-	-	-	-	(350,000)
Proceeds from sale of capital assets	-	-	-	17,199	-	17,199
<b>Total other financing (uses) sources</b>	<b>(350,000)</b>	<b>50,000</b>	<b>200,000</b>	<b>17,199</b>	<b>100,000</b>	<b>17,199</b>
<b>Net Change in Fund Balances</b>	<b>584,224</b>	<b>46,553</b>	<b>164,000</b>	<b>473,735</b>	<b>(56,513)</b>	<b>1,211,999</b>
<b>Fund Balances - Beginning of year</b>	<b>1,888,467</b>	<b>323,966</b>	<b>420,346</b>	<b>351,993</b>	<b>414,785</b>	<b>3,399,557</b>
<b>Fund Balances - End of year</b>	<b>\$ 2,472,691</b>	<b>\$ 370,519</b>	<b>\$ 584,346</b>	<b>\$ 825,728</b>	<b>\$ 358,272</b>	<b>\$ 4,611,556</b>

## Village of Beverly Hills, Michigan

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

Year Ended June 30, 2019

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	\$ 1,211,999
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:	
Depreciation expense	(805,589)
Capital outlay	881,408
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(50,195)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	164,268
Interest expense is recognized in the government-wide statements as it accrues	2,367
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	924,250
Claims and similar costs that do not use current financial resources are not reported as expenditures in the governmental funds	(37,500)
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	40,579
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 2,331,587</u></b>

## Village of Beverly Hills, Michigan

### Enterprise Fund - Water and Sewer Statement of Net Position

June 30, 2019

#### Assets

##### Current assets:

Cash and investments (Note 3)	\$ 18,566
Receivables - Net (Note 4)	1,210,350
Inventory	96,095
Prepaid expenses and other assets	1,745

Total current assets 1,326,756

Noncurrent assets - Capital assets - Assets subject to depreciation (Note 5) 19,210,876

Total assets 20,537,632

#### Liabilities

##### Current liabilities:

Accounts payable	265,759
Due to other funds (Note 6)	141,751
Accrued liabilities and other	21,217
Current portion of long-term debt (Note 7)	290,945

Total current liabilities 719,672

##### Noncurrent liabilities:

Provision for claims	12,500
Long-term debt (Note 7)	1,363,463

Total noncurrent liabilities 1,375,963

Total liabilities 2,095,635

#### Net Position

Net investment in capital assets	17,556,468
Unrestricted	885,529

Total net position \$ 18,441,997

## Village of Beverly Hills, Michigan

### Enterprise Fund - Water and Sewer Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2019

<b>Operating Revenue</b>	
Sale of water	\$ 788,857
Sewage disposal charges	2,302,419
Debt service charges	341,524
Infrastructure charge	1,186,555
Interest and penalty charges	71,162
Connection fees	2,246
Meter and other charges	20,396
	<hr/>
Total operating revenue	4,713,159
<b>Operating Expenses</b>	
Cost of water	708,857
Cost of sewage treatment	2,164,273
Billing and administrative costs	161,948
Repairs and maintenance	1,056,344
Other expenses	31,401
Depreciation	556,330
	<hr/>
Total operating expenses	4,679,153
	<hr/>
<b>Operating Income</b>	34,006
<b>Nonoperating Revenue (Expense)</b>	
Investment income	2,165
Interest expense	(39,191)
	<hr/>
Total nonoperating expense	(37,026)
	<hr/>
<b>Change in Net Position</b>	(3,020)
<b>Net Position - Beginning of year</b>	18,445,017
	<hr/>
<b>Net Position - End of year</b>	<b>\$ 18,441,997</b>
	<hr/> <hr/>

## Village of Beverly Hills, Michigan

### Enterprise Fund - Water and Sewer Statement of Cash Flows

Year Ended June 30, 2019

#### Cash Flows from Operating Activities

Receipts from customers	\$ 4,609,131
Payments for interfund services and reimbursements	(309,184)
Payments to suppliers	(3,983,805)
Other receipts	6,934

Net cash and cash equivalents provided by operating activities 323,076

**Cash Flows Used in Financing Activities** - Principal and interest paid on capital debt (324,848)

**Cash Flows Provided by Investing Activities** - Interest income 2,165

**Net Increase in Cash and Cash Equivalents** 393

**Cash and Cash Equivalents** - Beginning of year 18,173

**Cash and Cash Equivalents** - End of year **\$ 18,566**

#### Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 34,006
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	556,330
Changes in assets and liabilities:	
Receivables	(97,094)
Due to and from other funds	(147,236)
Inventories	(35,619)
Prepaid and other assets	(34)
Accounts payable	223
Estimated claims liability	12,500

Total adjustments 289,070

Net cash and cash equivalents provided by operating activities **\$ 323,076**

## Village of Beverly Hills, Michigan

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### Fiduciary Funds Statement of Fiduciary Net Position

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June 30, 2019

	Pension and Other Employee Benefits - Retiree Healthcare Trust Fund	Trust and Agency Fund
<b>Assets</b> - Cash and cash equivalents	\$ 240,035	<u>\$ 306,127</u>
<b>Liabilities</b> - Accrued and other	-	<u>\$ 306,127</u>
<b>Net Position Held in Trust for Pension and Other Employee Benefits</b>	<u>\$ 240,035</u>	

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

	Pension and Other Employee Benefits - Retiree Healthcare Trust Fund
<b>Additions</b>	
Investment income	\$ 4,906
Contributions:	
Employer contributions	994,646
Employee contributions	19,872
Total contributions	1,014,518
Total additions	1,019,424
<b>Deductions</b>	
Benefit payments	837,639
Net transfer to MERS (Note 11)	173,477
Total deductions	1,011,116
<b>Net Increase in Net Position Held in Trust</b>	8,308
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	231,727
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 240,035</b>

**Note 1 - Significant Accounting Policies**

***Reporting Entity***

The Village of Beverly Hills, Michigan (the "Village") is governed by an elected seven-member council. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

***Jointly Governed Organization***

Jointly governed organizations are discussed in Note 12.

***Accounting and Reporting Principles***

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

***Report Presentation***

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

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

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

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

**Note 1 - Significant Accounting Policies (Continued)**

***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**

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Major Streets Fund accounts for 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**

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

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 - Retiree Health Care Trust Fund accounts for resources accumulated for pension benefit payments to qualified employees and for accumulated resources that have been set aside in a trust to fund postretirement healthcare costs.
- 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.

**Note 1 - Significant Accounting Policies (Continued)**

**Interfund Activity**

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

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

**Basis of Accounting**

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

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

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Village considers amounts collected within 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 federal grant reimbursements 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.

Note 1 - Significant Accounting Policies (Continued)

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.

In accordance with GASB Statement No. 89, interest incurred during the construction of capital assets is expensed in the period it is incurred.

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

	Depreciable Life - Years
Roads and bridges	10-50
Water and sewer lines	50-100
Meters	20
Buildings and improvements	50
Furniture and equipment	5-10
Vehicles	5-20

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, Public Safety 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 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 future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Village reports deferred outflows of resources related to the defined benefit pension plan and OPEB plan, which are disclosed in more detail in Notes 9 and 10, respectively,. These deferred outflows of resources are reported in the government-wide financial statements.

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 will not be recognized as an inflow of resources (revenue) until that time.

**Note 1 - Significant Accounting Policies (Continued)**

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 \$159,435 in the General Fund related to unavailable state-shared revenue and \$21,588 in the Local Streets Fund for unavailable special assessments revenue. The Village also reports deferred inflows of resources related to the defined benefit pension plan and OPEB plan, which are disclosed in more detail in Notes 9 and 10, respectively.

**Net Position Flow Assumption**

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

**Fund Balance Flow Assumptions**

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

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government 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 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.

**Note 1 - Significant Accounting Policies (Continued)**

**Property Tax Revenue**

Property taxes are levied on each July 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent after the third Monday in September 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 2018 property tax revenue was levied and collectible on July 1, 2018 and is recognized as revenue in the year ended June 30, 2019 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2018 taxable valuation of the Village totaled \$578.8 million, on which taxes levied consisted of 1.9353 mills for operating purposes, 0.8462 mills for the library, and 9.1239 mills for public safety. This resulted in \$1,127,000 for operating, \$489,000 for the library, and \$5,273,000 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, 2019 will be recognized as revenue in the future as they are collected.

**Pension**

The Village offers a defined benefit pension plan to eligible employees hired before July 1, 2013. 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.

**Other Postemployment Benefit Costs**

The Village offers retiree healthcare benefits to eligible retirees hired before July 1, 2006. The Village records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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. Sick pay is accrued for the estimated amount that the Village will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Generally, the funds that report each employee's compensation (the General Fund and Public Safety Fund, primarily) are used to liquidate the obligations.

**Note 1 - Significant Accounting Policies (Continued)**

**Proprietary Funds Operating Classification**

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

**Use of Estimates**

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

**Upcoming Accounting Pronouncements**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Village's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that 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 year ending June 30, 2021.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the Village's financial statements for the June 30, 2022 fiscal year.

**Note 2 - Stewardship, Compliance, and Accountability**

***Excess of Expenditures Over Appropriations in Budgeted Funds***

The Village did not have significant expenditure budget variances.

***Construction Code Fees***

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

Shortfall at July 1, 2018		\$	(1,131,394)
Current year permit revenue			338,041
Related expenses:			
Direct costs	\$	(460,788)	-
Estimated indirect costs		(4,666)	(465,454)
			<u>(465,454)</u>
Cumulative shortfall June 30, 2019		\$	<u>(1,258,807)</u>

**Note 3 - Deposits and Investments**

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

	Primary Government		
	Governmental Activities	Business-type Activities	Fiduciary Funds
Deposits with financial institutions	\$ 4,509,977	\$ 18,566	\$ 546,162

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.

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.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

**Note 3 - Deposits and Investments (Continued)**

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

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$783,589 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the Village did not hold 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 ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
<b>Primary Government</b>			
Comerica - J Fund	\$ 3,581,910	Not rated	N/A

***Fair Value Measurements***

The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the 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 net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

The Village did not have any investments valued with Level 1, 2, or 3 inputs at June 30, 2019.

June 30, 2019

**Note 4 - Receivables**

Receivables as of June 30, 2019 for the Village's individual major funds and the nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Primary Government					Business-type Activities
	Governmental Activities				Total Governmental Activities	
	General Fund	Major Streets Fund	Local Streets Fund	Public Safety Fund		
Receivables:						
Property taxes	\$ 127	\$ -	\$ -	\$ -	\$ 127	\$ -
Special assessments	-	-	21,588	-	21,588	-
Customer billings	-	-	-	-	-	1,210,350
Accrued interest	1,776	-	-	929	2,705	-
Other receivables	35,295	-	-	29,097	64,392	-
Intergovernmental	162,522	120,466	58,054	-	341,042	-
Net receivables	<u>\$ 199,720</u>	<u>\$ 120,466</u>	<u>\$ 79,642</u>	<u>\$ 30,026</u>	<u>\$ 429,854</u>	<u>\$ 1,210,350</u>

**Note 5 - Capital Assets**

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

**Governmental Activities**

	Balance July 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 209,936	\$ -	\$ -	\$ -	\$ 209,936
Construction in progress	962,144	(357,343)	120,450	-	725,251
Subtotal	1,172,080	(357,343)	120,450	-	935,187
Capital assets being depreciated:					
Buildings and improvements	3,145,243	-	11,727	-	3,156,970
Roads and bridges	15,935,459	-	641,207	-	16,576,666
Equipment	3,021,860	357,343	101,601	(59,752)	3,421,052
Improvements other than buildings	1,529,306	-	6,423	-	1,535,729
Subtotal	23,631,868	357,343	760,958	(59,752)	24,690,417
Accumulated depreciation:					
Buildings and improvements	1,510,987	-	64,922	-	1,575,909
Roads and bridges	7,592,841	-	532,541	-	8,125,382
Equipment	2,209,175	-	147,654	(59,752)	2,297,077
Improvements other than buildings	1,166,204	-	60,472	-	1,226,676
Subtotal	12,479,207	-	805,589	(59,752)	13,225,044
Net capital assets being depreciated	11,152,661	357,343	(44,631)	-	11,465,373
Net governmental activities capital assets	<u>\$ 12,324,741</u>	<u>\$ -</u>	<u>\$ 75,819</u>	<u>\$ -</u>	<u>\$ 12,400,560</u>

June 30, 2019

**Note 5 - Capital Assets (Continued)**

***Business-type Activities***

	Balance July 1, 2018	Additions	Balance June 30, 2019
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	1,422,730	70,285	1,493,015
Sanitary sewers and drains	8,473,024	438,220	8,911,244
Service buildings	42,163	-	42,163
Meters	423,706	47,258	470,964
Motor vehicles	83,552	-	83,552
Furniture and equipment	141,382	567	141,949
Subtotal	10,586,557	556,330	11,142,887
Net business-type activity capital assets	<u>\$ 19,767,206</u>	<u>\$ (556,330)</u>	<u>\$ 19,210,876</u>

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

Governmental activities:	
General government	\$ 114,443
Public safety	158,605
Public works	532,541
Total governmental activities	<u>\$ 805,589</u>
Business-type activities - Water and sewer	<u>\$ 556,330</u>

**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	\$ 141,751
	Local Streets Fund	37,710
	Total General Fund	<u>\$ 179,461</u>

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

Fund Transferred From	Fund Transferred To	Amount
General Fund	Local Streets Fund	\$ 200,000
	Capital Projects Fund (a nonmajor governmental fund)	100,000
	Major Streets Fund	50,000
	Total	<u>\$ 350,000</u>

June 30, 2019

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

The transfers from the General Fund to the Major and Local Streets funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations. The transfer from the General Fund to the Capital Projects Fund represents the use of unrestricted resources to finance capital improvements.

**Note 7 - Long-term Debt**

Long-term debt activity for the year ended June 30, 2019 can be summarized as follows:

**Governmental Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct borrowings and direct placements:					
2013 Fire truck installment purchase agreement, maturing through November 2019 with interest rate of 2.06%	\$ 174,780	\$ -	\$ (86,492)	\$ 88,288	\$ 88,288
2018 Fire truck installment purchase agreement, maturing through 2025 with interest rate of 3.49%	604,801	-	(77,776)	527,025	80,489
Total bonds and contracts payable	779,581	-	(164,268)	615,313	168,777
Compensated absences	329,371	184,757	(197,623)	316,505	189,903
Total governmental activities long-term debt	<u>\$ 1,108,952</u>	<u>\$ 184,757</u>	<u>\$ (361,891)</u>	<u>\$ 931,818</u>	<u>\$ 358,680</u>

June 30, 2019

**Note 7 - Long-term Debt (Continued)**

***Business-type Activities***

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements -:					
2003 Drinking Water Revolving Fund Loan, maturing through April 2025 with interest at 2.125%	\$ 1,422,055	\$ -	\$ (185,000)	\$ 1,237,055	\$ 190,000
County contractual obligations:					
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%	64,881	-	(21,296)	43,585	21,825
2000 George W. Kuhn Drain Bond Series A, maturing through April 2022 with interest at 2.5%	35,048	-	(8,447)	26,601	8,650
2001 George W. Kuhn Drain Bond Series C, maturing through April 2024 with interest at 2.5%	235,865	-	(36,915)	198,950	37,849
2001 George W. Kuhn Drain Bond Series D, maturing through April 2024 with interest at 2.5%	6,235	-	(975)	5,260	1,015
2003 Rummel Relief Drainage District Drain Bonds - Series 2003, maturing through May 2023 with interest ranging from 2.6% to 4.7%	77,185	-	(18,457)	58,728	18,457
2005 George W. Kuhn Drain Bond Series 2005, maturing through April 2026 with interest at 1.625%	5,438	-	(619)	4,819	619
2007 George W. Kuhn Drain Bond Series G, maturing through April 2028 with interest at 1.625%	7,880	-	(743)	7,137	743
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%	45,159	-	(8,488)	36,671	8,610
2008 George W. Kuhn Drain Bond Series 2008H, maturing through April 2029 with interest at 2.50%	38,696	-	(3,094)	35,602	3,177
Total business-type activities long-term debt	<u>\$ 1,938,442</u>	<u>\$ -</u>	<u>\$ (284,034)</u>	<u>\$ 1,654,408</u>	<u>\$ 290,945</u>

**Note 7 - Long-term Debt (Continued)**

**County Contractual Obligations**

The above contractual obligations include county contractual obligations payable to Oakland County, Michigan (the "County") and are the result of the issuance of bonds by Oakland County, Michigan 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. In addition, it has pledged to raise property taxes, to the extent permitted by law, if necessary to fund the obligation to repay the County. 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 \$341,067. During the current year, net expenses of the system, excluding depreciation, were \$378,441, compared to the annual debt requirements of \$69,245.

**Debt Service Requirements to Maturity**

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Direct Borrowings and Direct Placements			Direct Borrowings and Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 168,777	\$ 20,207	\$ 188,984	\$ 290,945	\$ 39,015	\$ 329,960
2021	83,294	15,567	98,861	299,138	31,991	331,129
2022	86,198	12,663	98,861	289,091	24,964	314,055
2023	89,202	9,658	98,860	262,102	17,913	280,015
2024	92,312	6,548	98,860	267,444	11,115	278,559
2025-2029	95,530	3,330	98,860	245,688	5,685	251,373
Total	\$ 615,313	\$ 67,973	\$ 683,286	\$ 1,654,408	\$ 130,683	\$ 1,785,091

**Assets Pledged as Collateral**

**Direct Borrowings and Direct Placements**

The Village's outstanding installment purchase obligations are secured with collateral of the fire trucks purchased through the agreements.

**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. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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.

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 it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Village.

June 30, 2019

**Note 8 - Risk Management (Continued)**

The Village is self-insured for a portion of its healthcare reimbursement for the drug program. Active employees are not eligible. Under the plan, eligible retirees are assigned a drug card and pay a \$2, \$3 or \$10 copay. The Village is billed for the amounts exceeding the copay. As of June 30, 2019, all related claims have been accrued.

The Village estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. Changes in the estimated liability for the past fiscal year was as follows:

	<u>General Liability</u>
Unpaid claims - Beginning of year	\$ -
Reported claims	12,780
Estimated claims incurred but not reported	50,000
Claim payments	<u>(12,780)</u>
Estimated liability - End of year	<u>\$ 50,000</u>

**Note 9 - Pension Plans**

***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.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Prior to July 1, 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 July 2013, the Village closed out the single-employer plan and has since transferred all assets to the Michigan Municipal Employees' Retirement System.

***Benefits Provided***

The plan provides 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), and general nonunion employees (closed to new hires).

Retirement benefits are calculated as 2.50 percent of the employee's final two-year average compensation 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. To be eligible for nonduty disability benefits, employees must have a minimum of 10 years of service, and employees are eligible for duty-related benefits upon hire. The benefits also include nonduty disability benefits and disability retirement benefits in limited situations. An employee who leaves village 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 one-half of the change in the Consumer Price Index, limited to a maximum increase in retirement allowance of 2 percent for general employees and 3 percent for public safety employees.

**Note 9 - Pension Plans (Continued)**

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

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

Date of member count	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	58
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	<u>17</u>
Total employees covered by MERS	<u><u>86</u></u>

**Contributions**

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The Village hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Village's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2019, the average active employee contribution rate was 3.3 percent of annual pay, and the Village's average contribution rate was 30.9 percent of annual payroll for the various employee groups.

**Net Pension Liability**

The Village has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2019 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2018 measurement date. The December 31, 2018 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2017</b>	\$ 24,836,495	\$ 21,951,369	\$ 2,885,126
Changes for the year:			
Service cost	251,631	-	251,631
Interest	1,928,824	-	1,928,824
Differences between expected and actual experience	(147,490)	-	(147,490)
Contributions - Employer	-	466,194	(466,194)
Contributions - Employee	-	46,821	(46,821)
Net investment loss	-	(826,011)	826,011
Benefit payments, including refunds	(1,704,038)	(1,704,038)	-
Administrative expenses	-	(41,816)	41,816
Net changes	<u>328,927</u>	<u>(2,058,850)</u>	<u>2,387,777</u>
<b>Balance at December 31, 2018</b>	<u><u>\$ 25,165,422</u></u>	<u><u>\$ 19,892,519</u></u>	<u><u>\$ 5,272,903</u></u>

**Note 9 - Pension Plans (Continued)**

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

For the year ended June 30, 2019, the Village recognized pension expense of \$896,402.

At June 30, 2019, 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	\$ -	\$ (98,327)
Net difference between projected and actual earnings on pension plan investments	1,443,129	-
Employer contributions to the plan subsequent to the measurement date	220,950	-
Total	\$ 1,664,079	\$ (98,327)

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

Years Ending June 30	Amount
2020	\$ 490,763
2021	88,156
2022	269,990
2023	495,893
Total	\$ 1,344,802

***Actuarial Assumptions***

The total pension liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.75 percent, and an investment rate of return (net of investment expenses) of 8.00 percent. 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, 2018 actuarial valuation date valuation were based on the results of an actuarial experience study for 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 assumed that employee contributions will be made at the current contribution rate and that village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

**Note 9 - Pension Plans (Continued)**

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

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2018 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying strategies	12.50	5.00

**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 8.0 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 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the Village	\$ 8,042,164	\$ 5,272,903	\$ 2,939,782

**Pension Plan Fiduciary Net Position**

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

**Note 9 - Pension Plans (Continued)**

***Defined Contribution Pension Plans***

The Village of Beverly Hills, Michigan contributes to the Michigan Employees' Retirement System Defined Contribution Plan for Public Safety Officers Union and Command Union employees hired after July 1, 2013 who meet the eligibility requirements. MERS acts as the plan administrator pursuant to the terms and conditions of the plan. Benefit terms, including contribution requirements, for the Michigan Employees' Retirement System Defined Contribution Plan for Public Safety Officers Union and Command Union are established by and may be amended by the Village Council. For each employee in the plan, the Village is required to contribute 12 percent of annual salary, exclusive of overtime pay, to an individual employee account. Employees are vested in their own contributions and earnings on those contributions and become vested in village contributions and earnings on village contributions after completion of five years of creditable service with the Village. Nonvested village contributions are forfeited upon termination of employment. As of June 30, 2019, there were 13 members in the plan (13 active participants and 0 terminated employees with balances). During the year ended June 30, 2019, the Village contributed \$85,660 into the plan, and \$38,779 was contributed to the plan by plan participants.

The Village of Beverly Hills, Michigan also contributes to the Michigan Employees' Retirement System Defined Contribution Plan for General Administration employees hired after July 1, 2013 who meet the eligibility requirements. MERS acts as the plan administrator pursuant to the terms and conditions of the plan. Benefit terms, including contribution requirements, for the Michigan Employees' Retirement System Defined Contribution Plan for General Administration employees are established by and may be amended by the Village Council. For each employee in the plan, the Village is required to contribute 10 percent of annual salary to an individual employee account. Employees are vested in their own contributions and earnings on those contributions and vesting in village contributions and earnings is immediate. As of June 30, 2019, there were eight members in the plan (six active participants and two terminated employees with balances). During the year ended June 30, 2019, the Village contributed \$29,426 into the plan, and \$14,713 was contributed to the plan by plan participants.

**Note 10 - Other Postemployment Benefit Plan**

***Plan Description***

The Village provides OPEB for all employees hired before July 1, 2006 who meet eligibility requirements. The benefits are provided through the Village of Beverly Hills Retiree Health Care Plan, a single-employer plan administered by the Village of Beverly Hills, Michigan.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the OPEB plan is vested with the Village's administration.

***Benefits Provided***

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

June 30, 2019

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

	Village of Beverly Hills Retiree Health Care Plan
Date of member count	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	41
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	11
Total plan members	<u>55</u>

**Contributions**

The Village requires eligible municipal employees to contribute 2 percent of their salary to 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 \$994,646 into the plan to advance fund these benefits, as determined by the Village Council through annual budget resolutions.

**Net OPEB Liability**

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

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at July 1, 2018</b>	\$ 10,373,098	\$ 6,936,321	\$ 3,436,777
Changes for the year:			
Service cost	91,548	-	91,548
Interest	779,157	-	779,157
Differences between expected and actual experience	273,635	-	273,635
Changes in assumptions	(108,614)	-	(108,614)
Contributions - Employer	-	994,646	(994,646)
Contributions - Employee	-	19,872	(19,872)
Net investment income	-	205,204	(205,204)
Benefit payments, including refunds	(837,639)	(837,639)	-
Administrative expenses	-	(14,197)	14,197
Net changes	<u>198,087</u>	<u>367,886</u>	<u>(169,799)</u>
<b>Balance at June 30, 2019</b>	<u>\$ 10,571,185</u>	<u>\$ 7,304,207</u>	<u>\$ 3,266,978</u>

The plan's fiduciary net position represents 69.1 percent of the total OPEB liability.

**Note 10 - Other Postemployment Benefit Plan (Continued)**

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

For the year ended June 30, 2019, the Village recognized OPEB expense of \$371,241.

At June 30, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 182,423	\$ 798,187
Changes in assumptions	-	72,409
Net difference between projected and actual earnings on OPEB plan investments	<u>219,691</u>	<u>-</u>
Total	<u>\$ 402,114</u>	<u>\$ 870,596</u>

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

<u>Years Ending June 30</u>	<u>Amount</u>
2020	\$ (692,520)
2021	105,667
2022	50,660
2023	<u>67,711</u>
Total	<u>\$ (468,482)</u>

***Actuarial Assumptions***

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.75 percent; an investment rate of return (net of investment expenses) of 7.75 percent; a healthcare cost trend rate of 8.0 percent for 2020, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2027 and later years; and the RHP-2018 Total Dataset Mortality Table fully generational using Scale MP-2018. These assumptions were applied to all periods included in the measurement.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that village contributions in to the OPEB trust will be \$400,000 annually.

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

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2019 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	6.15 %
Global fixed income	1.26
Private assets	6.15

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

The following presents the net OPEB liability of the Village, calculated using the discount rate of 7.75 percent, as well as what the Village's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.75%)	Current Discount Rate (7.75%)	1 Percent Increase (8.75%)
Net OPEB liability of the Village of Beverly Hills Retiree Health Care Plan	\$ 4,486,914	\$ 3,266,978	\$ 2,255,670

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the net OPEB liability of the Village, calculated using the healthcare cost trend rate of 8.0 percent, decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent, as well as what the Village's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease	Current Healthcare Cost Trend Rate	1 Percent Increase
Net OPEB liability of the Village of Beverly Hills Retiree Health Care Plan	\$ 2,237,946	\$ 3,266,978	\$ 4,506,133

**Assumption Changes**

The following assumptions have been updated since the last full valuation:

1. Mortality table for healthy retirees has been updated from RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018. This change has caused a decrease in liabilities.
2. Healthcare trend rates have been reset to an initial rate of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent. This change has caused a slight increase in liabilities.

**Note 10 - Other Postemployment Benefit Plan (Continued)**

**Investment Policy**

The Village has by resolution set aside advanced funding of this obligation in the Municipal Employees' Retirement System 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 2019, the Village transferred a net amount of \$173,477 of assets from the single-employer benefit plan administered by the Village to the RHFV. The balance as of June 30, 2019 in this restricted plan is approximately \$7,065,000. 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.

The following was the OPEB board's adopted asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation
Global equity	55.50 %
Global fixed income	18.50
Private assets	26.00
Total	<u>100.00 %</u>

**Concentrations**

At June 30, 2019, the plan held 100 percent of its investment portfolio in MERS RHFV.

**Rate of Return**

For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 3.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Note 11 - Pension and Other Employee Benefit Trust Fund**

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

	Pension and Other Employee Benefits	Retiree Health Care	Total
<b>Statement of Net Position</b>			
Cash and cash equivalents	\$ 79	\$ 239,956	\$ 240,035
<b>Statement of Changes in Net Position</b>			
Investment income	\$ 2	\$ 4,904	\$ 4,906
Contributions	-	1,014,518	1,014,518
Benefit payments	-	837,639	837,639
Net transfer to MERS	-	173,477	173,477
Net change in net position	<u>\$ 2</u>	<u>\$ 8,306</u>	<u>\$ 8,308</u>

**Note 12 - Joint Ventures**

***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.

***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, 2019, the Village expensed \$696,596 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, 2019, the Village expensed \$736,524 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.

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## Required Supplemental Information

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## Village of Beverly Hills, Michigan

### Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,129,587	\$ 1,129,587	\$ 1,132,779	\$ 3,192
State-shared revenue and grants:				
Federal grants	-	-	4,680	4,680
State sources:				
State-shared revenue	839,067	929,067	921,223	(7,844)
Local Community Stabilization Authority	-	51,377	36,515	(14,862)
Local grants and contributions				
Operating grants	-	-	1,500	1,500
Charges for services	1,001,950	1,076,950	1,091,349	14,399
Licenses and permits	15,500	30,500	32,708	2,208
Interest and rentals	3,500	28,500	42,586	14,086
Other revenue	322,890	386,890	370,515	(16,375)
<b>Total revenue</b>	<b>3,312,494</b>	<b>3,632,871</b>	<b>3,633,855</b>	<b>984</b>
<b>Expenditures</b>				
Current services:				
General government:				
Village Council	41,417	23,417	16,912	6,505
Manager/Clerk	320,973	283,773	269,131	14,642
Village finance and accounting	270,639	270,639	263,075	7,564
Buildings and grounds	53,144	59,144	46,661	12,483
General administration	561,443	569,443	551,573	17,870
Public safety - Building, planning, and zoning	446,631	471,631	460,789	10,842
Public works - Public services	1,009,163	970,163	956,252	13,911
Community and economic development	112,091	104,591	92,666	11,925
Recreation and culture	57,875	56,875	49,693	7,182
Capital outlay	69,715	14,715	8,372	6,343
<b>Total expenditures</b>	<b>2,943,091</b>	<b>2,824,391</b>	<b>2,715,124</b>	<b>109,267</b>
<b>Excess of Revenue Over Expenditures</b>	<b>369,403</b>	<b>808,480</b>	<b>918,731</b>	<b>110,251</b>
<b>Other Financing Uses</b> - Transfers to other funds	<b>(350,000)</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>19,403</b>	<b>458,480</b>	<b>568,731</b>	<b>110,251</b>
<b>Fund Balance</b> - Beginning of year	<b>1,643,713</b>	<b>1,643,713</b>	<b>1,643,713</b>	<b>-</b>
<b>Fund Balance</b> - End of year	<b>\$ 1,663,116</b>	<b>\$ 2,102,193</b>	<b>\$ 2,212,444</b>	<b>\$ 110,251</b>

**Village of Beverly Hills, Michigan**

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

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 621,779	\$ 813,875	\$ 844,295	\$ 30,420
Charges for services	2,435	2,435	-	(2,435)
Investment income	500	6,200	8,628	2,428
Other revenue	-	-	1,094	1,094
Total revenue	624,714	822,510	854,017	31,507
<b>Expenditures - Current - Public works</b>	728,463	873,263	857,464	15,799
<b>Excess of Expenditures Over Revenue</b>	(103,749)	(50,753)	(3,447)	47,306
<b>Other Financing Sources - Transfers in</b>	50,000	50,000	50,000	-
<b>Net Change in Fund Balance</b>	(53,749)	(753)	46,553	47,306
<b>Fund Balance - Beginning of year</b>	323,966	323,966	323,966	-
<b>Fund Balance - End of year</b>	<u>\$ 270,217</u>	<u>\$ 323,213</u>	<u>\$ 370,519</u>	<u>\$ 47,306</u>

## Village of Beverly Hills, Michigan

### Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Local Streets Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 299,916	\$ 324,916	\$ 333,659	\$ 8,743
Interest and rentals	200	8,200	12,320	4,120
Other revenue	2,000	2,000	17,131	15,131
Total revenue	302,116	335,116	363,110	27,994
<b>Expenditures - Current - Public works</b>	413,041	454,041	399,110	54,931
<b>Excess of Expenditures Over Revenue</b>	(110,925)	(118,925)	(36,000)	82,925
<b>Other Financing Sources - Transfers in</b>	200,000	200,000	200,000	-
<b>Net Change in Fund Balance</b>	89,075	81,075	164,000	82,925
<b>Fund Balance - Beginning of year</b>	420,346	420,346	420,346	-
<b>Fund Balance - End of year</b>	<u>\$ 509,421</u>	<u>\$ 501,421</u>	<u>\$ 584,346</u>	<u>\$ 82,925</u>

## Village of Beverly Hills, Michigan

### Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Public Safety Fund

**Year Ended June 30, 2019**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 5,280,607	\$ 5,272,607	\$ 5,272,591	\$ (16)
State-shared revenue and grants	5,200	5,200	22,997	17,797
Charges for services	130,000	131,000	142,189	11,189
Fines and forfeitures	72,000	97,000	110,908	13,908
Interest and rentals	3,500	43,500	46,364	2,864
Other revenue	18,000	18,000	21,680	3,680
Total revenue	5,509,307	5,567,307	5,616,729	49,422
<b>Expenditures</b>				
Current services - Public safety	5,189,957	5,020,793	4,908,575	112,218
Capital outlay	122,000	72,000	62,632	9,368
Debt service	188,986	188,986	188,986	-
Total expenditures	5,500,943	5,281,779	5,160,193	121,586
<b>Excess of Revenue Over Expenditures</b>	8,364	285,528	456,536	171,008
<b>Other Financing Sources</b> - Proceeds from sale of capital assets	-	17,199	17,199	-
<b>Net Change in Fund Balance</b>	8,364	302,727	473,735	171,008
<b>Fund Balance</b> - Beginning of year	351,993	351,993	351,993	-
<b>Fund Balance</b> - End of year	<u>\$ 360,357</u>	<u>\$ 654,720</u>	<u>\$ 825,728</u>	<u>\$ 171,008</u>

## Village of Beverly Hills, Michigan

### Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios (Schedule is built prospectively upon implementation of GASB 68)

	<b>Last Five Years</b> <b>(Measurement Dates Ended December 31)</b>				
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 251,631	\$ 243,363	\$ 341,278	\$ 395,718	\$ 410,029
Interest	1,928,824	1,888,095	1,939,231	1,821,548	1,756,681
Differences between expected and actual experience	(147,490)	329,825	(1,065,216)	527,126	-
Changes in assumptions	-	-	-	955,924	-
Benefit payments, including refunds	(1,704,038)	(2,208,579)	(1,402,509)	(1,621,661)	(1,124,891)
<b>Net Change in Total Pension Liability</b>	<b>328,927</b>	<b>252,704</b>	<b>(187,216)</b>	<b>2,078,655</b>	<b>1,041,819</b>
<b>Total Pension Liability - Beginning of year</b>	<b>24,836,495</b>	<b>24,583,791</b>	<b>24,771,007</b>	<b>22,692,352</b>	<b>21,650,533</b>
<b>Total Pension Liability - End of year</b>	<b>\$ 25,165,422</b>	<b>\$ 24,836,495</b>	<b>\$ 24,583,791</b>	<b>\$ 24,771,007</b>	<b>\$ 22,692,352</b>
<b>Plan Fiduciary Net Position</b>					
Contributions - Employer	\$ 466,194	\$ 611,972	\$ 459,837	\$ 378,302	\$ 364,160
Contributions - Member	46,821	89,673	65,122	74,509	826,364
Net investment (loss) income	(826,011)	2,682,871	2,195,311	(313,771)	1,274,423
Administrative expenses	(41,816)	(42,650)	(43,366)	(45,714)	(46,937)
Benefit payments, including refunds	(1,704,038)	(2,208,579)	(1,402,509)	(1,621,661)	(1,124,891)
Other	-	-	(132,415)	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(2,058,850)</b>	<b>1,133,287</b>	<b>1,141,980</b>	<b>(1,528,335)</b>	<b>1,293,119</b>
<b>Plan Fiduciary Net Position - Beginning of year</b>	<b>21,951,369</b>	<b>20,818,082</b>	<b>19,676,102</b>	<b>21,204,437</b>	<b>19,911,318</b>
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 19,892,519</b>	<b>\$ 21,951,369</b>	<b>\$ 20,818,082</b>	<b>\$ 19,676,102</b>	<b>\$ 21,204,437</b>
<b>Village's Net Pension Liability - Ending</b>	<b>\$ 5,272,903</b>	<b>\$ 2,885,126</b>	<b>\$ 3,765,709</b>	<b>\$ 5,094,905</b>	<b>\$ 1,487,915</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>79.05 %</b>	<b>88.38 %</b>	<b>84.68 %</b>	<b>79.43 %</b>	<b>93.44 %</b>
<b>Covered Payroll</b>	<b>\$ 1,431,207</b>	<b>\$ 1,423,915</b>	<b>\$ 1,905,227</b>	<b>\$ 2,157,414</b>	<b>\$ 2,309,827</b>
<b>Village's Net Pension Liability as a Percentage of Covered Payroll</b>	<b>368.42 %</b>	<b>202.62 %</b>	<b>197.65 %</b>	<b>236.16 %</b>	<b>64.42 %</b>

## Village of Beverly Hills, Michigan

### Required Supplemental Information Schedule of Pension Contributions

**Last Ten Fiscal Years  
Years Ended June 30**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 441,900	\$ 490,488	\$ 393,492	\$ 511,879	\$ 257,429	\$ 265,305	\$ 117,566	\$ 101,274	\$ 496,465	\$ 499,080
Contributions in relation to the actuarially determined contribution	441,900	490,488	462,900	511,879	365,940	265,305	117,566	101,274	496,465	499,080
<b>Contribution Excess</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 69,408</b>	<b>\$ -</b>	<b>\$ 108,511</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 1,431,207</b>	<b>\$ 1,423,915</b>	<b>\$ 1,905,227</b>	<b>\$ 2,157,414</b>	<b>\$ 2,309,827</b>	<b>\$ 1,512,729</b>	<b>\$ 655,135</b>	<b>\$ 739,859</b>	<b>\$ 727,853</b>	<b>\$ 1,724,168</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>30.88 %</b>	<b>34.45 %</b>	<b>24.30 %</b>	<b>23.73 %</b>	<b>15.84 %</b>	<b>17.54 %</b>	<b>17.95 %</b>	<b>13.69 %</b>	<b>68.21 %</b>	<b>28.95 %</b>

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported (December 31, 2016 for the current fiscal year).

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	10-year fixed
Asset valuation method	Five-year smoothed
Inflation	2.50 percent
Salary increase	3.75 percent
Investment rate of return	8.00 percent, net of investment expenses
Retirement age	60, or 50 with 25 years of service, or 55 with 15 years of service
Mortality	50 percent female/50 percent male RP-2014 Healthy Annuitant Mortality Tables
Other information	None

## Village of Beverly Hills, Michigan

### Required Supplemental Information

#### Schedule of Changes in the Net OPEB Liability and Related Ratios (Schedule is built prospectively upon implementation of GASB 74)

	<b>Last Three Fiscal Years</b>		
	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 91,548	\$ 153,337	\$ 154,954
Interest	779,157	877,479	719,701
Differences between expected and actual experience	273,635	(2,394,561)	-
Changes in assumptions	(108,614)	-	2,412,873
Benefit payments, including refunds	(837,639)	(904,286)	(720,855)
<b>Net Change in Total OPEB Liability</b>	198,087	(2,268,031)	2,566,673
<b>Total OPEB Liability - Beginning of year*</b>	10,373,098	12,641,129	12,350,198
<b>Total OPEB Liability - End of year</b>	<b>\$ 10,571,185</b>	<b>\$ 10,373,098</b>	<b>\$ 14,916,871</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 994,646	\$ 1,227,868	\$ 1,151,735
Contributions - Active and inactive plan members not yet receiving benefits	19,872	22,704	26,417
Net investment income	205,204	463,537	643,833
Administrative expenses	(14,197)	(15,289)	(13,009)
Benefit payments, including refunds	(837,639)	(904,286)	(720,855)
<b>Net Change in Plan Fiduciary Net Position</b>	367,886	794,534	1,088,121
<b>Plan Fiduciary Net Position - Beginning of year</b>	6,936,321	6,141,787	5,053,666
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 7,304,207</b>	<b>\$ 6,936,321</b>	<b>\$ 6,141,787</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 3,266,978</b>	<b>\$ 3,436,777</b>	<b>\$ 8,775,084</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	69.1 %	66.9 %	41.2 %
<b>Covered Employee Payroll</b>	\$ 1,179,057	\$ 1,350,903	\$ 1,337,528
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	277.1 %	254.4 %	656.1 %

\*Beginning of year total OPEB liability for the fiscal year ended June 30, 2018 was restated upon the implementation of GASB Statement No. 75 to align with assumptions used in the June 30, 2018 actuarial valuation.

## Village of Beverly Hills, Michigan

### Required Supplemental Information Schedule of OPEB Contributions

	<b>Last Ten Fiscal Years Years Ended June 30</b>									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 837,639	\$ 808,536	\$ 720,855	\$ 1,317,680	\$ 1,319,382	\$ 873,022	\$ 873,022	\$ 873,022	\$ 1,212,817	\$ 1,195,817
Contributions in relation to the actuarially determined contribution	994,646	1,227,868	1,151,735	1,140,973	1,089,343	873,467	873,467	1,214,011	723,903	864,590
<b>Contribution Excess (Deficiency)</b>	<b>\$ 157,007</b>	<b>\$ 419,332</b>	<b>\$ 430,880</b>	<b>\$ (176,707)</b>	<b>\$ (230,039)</b>	<b>\$ 445</b>	<b>\$ 445</b>	<b>\$ 340,989</b>	<b>\$ (488,914)</b>	<b>\$ (331,227)</b>
<b>Covered Employee Payroll</b>	<b>\$ 1,179,057</b>	<b>\$ 1,350,903</b>	<b>\$ 1,337,528</b>	<b>\$ 2,154,252</b>	<b>\$ 2,154,252</b>	<b>\$ 2,296,226</b>	<b>\$ 2,296,226</b>	<b>\$ 2,476,185</b>	<b>\$ 2,466,105</b>	<b>\$ 2,466,105</b>
<b>Contributions as a Percentage of Covered Employee Payroll</b>	84.4 %	90.9 %	86.1 %	53.0 %	50.6 %	38.0 %	38.0 %	49.0 %	29.4 %	35.1 %

#### Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	25 years
Asset valuation method	Market value
Inflation	2.5 percent
Healthcare cost trend rates	8.00 percent trend for the first year, then gradually decreasing to an ultimate trend of 4.50 percent
Salary increase	3.75 to 10 percent
Investment rate of return	7.75 percent
Retirement age	55 years of age
Mortality	RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 (RPH-2018 table is created based on RPH-2014 Total Dataset Mortality Table with eight years of MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement.)

## Village of Beverly Hills, Michigan

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### Required Supplemental Information Schedule of OPEB Investment Returns (Schedule is built prospectively upon implementation of GASB 74)

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	<b>Last Three Fiscal Years Years Ended June 30</b>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return - Net of investment expense	3.09 %	7.68 %	12.99 %

***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, 2019 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 and debt proceeds 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 governing body is 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 General Fund budgetary comparison schedule to the fund-based statement of revenue, expenditures, and changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
Amounts per operating statement	\$ 3,681,387	\$ 2,747,163	\$ 2,472,691
Tax Collection Fund	-	-	(72)
Sick Pay Severance Fund	(25,920)	(16,976)	(173,053)
Vacation Reserve Fund	(21,612)	(15,063)	(87,122)
	<u>\$ 3,633,855</u>	<u>\$ 2,715,124</u>	<u>\$ 2,212,444</u>
Amounts per budget statement			

***Pension Information***

**Changes in Assumptions**

The following assumption changes were reflected in the 2015 valuation:

- The inflation adjustment was decreased from 3.0 to 2.5 percent.
- Salary increases were adjusted.
- The investment rate of return, net of pension plan investment expense, including inflation, was decreased from 8.00 to 7.75 percent

***OPEB Information***

**Changes in Assumptions**

The following assumption changes have been reflected in the latest full valuation:

- Mortality table for healthy retirees has been updated from RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018. This change has caused a decrease in liabilities.
- Healthcare trend rates have been reset to an initial rate of 8.0 percent decreasing by 0.5 percent annually to an ultimate rate of 4.5 percent. This change has caused a slight increase in liabilities.

The following assumption changes were reflected in the 2017 valuation:

- Mortality table was updated from RP-2000 Combined Mortality Table fully generational using Scale AA to SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015. The impact of this change is an increase in liabilities.
- Retirement, termination, salary scale, and disability rates for general employees were updated to reflect the most recent tables from the Municipal Employees' Retirement System as of December 31, 2015. The net impact of these changes was a slight increase in liabilities.
- The healthcare coverage election rate was changed for this valuation based on village experience. The net impact of these changes was a decrease in liabilities.

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## Other Supplemental Information

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# Village of Beverly Hills, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

**June 30, 2019**

	Special Revenue Funds		Capital Project Funds				Total Nonmajor Governmental Funds
	Drug Law Enforcement	Library	Capital Projects	Capital Projects Infrastructure	Coryell/ Hummel SAD	Special Park Millage	
<b>Assets - Cash and investments</b>	<b>\$ 52,519</b>	<b>\$ 10,959</b>	<b>\$ 233,716</b>	<b>\$ 13</b>	<b>\$ 54,287</b>	<b>\$ 6,778</b>	<b>\$ 358,272</b>
<b>Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balances</b>							
Restricted:							
Roads	-	-	7,496	-	-	-	7,496
Capital projects	-	-	-	13	-	-	13
Drug law enforcement	52,519	-	-	-	-	-	52,519
Library	-	10,959	-	-	-	-	10,959
Assigned	-	-	226,220	-	54,287	6,778	287,285
Total fund balances	<u>52,519</u>	<u>10,959</u>	<u>233,716</u>	<u>13</u>	<u>54,287</u>	<u>6,778</u>	<u>358,272</u>
Total liabilities and fund balances	<u><b>\$ 52,519</b></u>	<u><b>\$ 10,959</b></u>	<u><b>\$ 233,716</b></u>	<u><b>\$ 13</b></u>	<u><b>\$ 54,287</b></u>	<u><b>\$ 6,778</b></u>	<u><b>\$ 358,272</b></u>

## Village of Beverly Hills, Michigan

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

**Year Ended June 30, 2019**

	Special Revenue Funds		Capital Project Funds				Total Nonmajor Governmental Funds
	Drug Law Enforcement	Library	Capital Projects	Capital Projects Infrastructure	Coryell/ Hummel SAD	Special Park Millage	
<b>Revenue</b>							
Property taxes and related fees	\$ -	\$ 488,990	\$ -	\$ -	\$ -	\$ -	\$ 488,990
State-shared revenue and grants	-	1,195	-	-	-	-	1,195
Fines and forfeitures	2,718	-	-	-	-	-	2,718
Interest and rentals	-	5,309	7,173	13	409	131	13,035
<b>Total revenue</b>	<b>2,718</b>	<b>495,494</b>	<b>7,173</b>	<b>13</b>	<b>409</b>	<b>131</b>	<b>505,938</b>
<b>Expenditures</b>							
Current services:							
Public safety	1,950	-	-	-	-	-	1,950
Recreation and culture	-	489,752	-	-	-	-	489,752
Capital outlay	-	-	170,749	-	-	-	170,749
<b>Total expenditures</b>	<b>1,950</b>	<b>489,752</b>	<b>170,749</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>662,451</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>768</b>	<b>5,742</b>	<b>(163,576)</b>	<b>13</b>	<b>409</b>	<b>131</b>	<b>(156,513)</b>
<b>Other Financing Sources - Transfers in</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,000</b>
<b>Net Change in Fund Balances</b>	<b>768</b>	<b>5,742</b>	<b>(63,576)</b>	<b>13</b>	<b>409</b>	<b>131</b>	<b>(56,513)</b>
<b>Fund Balances - Beginning of year</b>	<b>51,751</b>	<b>5,217</b>	<b>297,292</b>	<b>-</b>	<b>53,878</b>	<b>6,647</b>	<b>414,785</b>
<b>Fund Balances - End of year</b>	<b>\$ 52,519</b>	<b>\$ 10,959</b>	<b>\$ 233,716</b>	<b>\$ 13</b>	<b>\$ 54,287</b>	<b>\$ 6,778</b>	<b>\$ 358,272</b>

## Village of Beverly Hills, Michigan

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### Other Supplemental Information Combining Statement of Fiduciary Net Position Fiduciary Funds

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**June 30, 2019**

	Pension and Other Employee Benefits	Retiree Healthcare	Total Pension and Other Employee Benefits - Retiree Healthcare Trust Fund
<b>Assets - Cash and cash equivalents</b>	<b>\$ 79</b>	<b>\$ 239,956</b>	<b>\$ 240,035</b>
<b>Net Position</b>	<b>\$ 79</b>	<b>\$ 239,956</b>	<b>\$ 240,035</b>

## Village of Beverly Hills, Michigan

### Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds

**Year Ended June 30, 2019**

	Pension and Other Employee Benefits	Retiree Healthcare	Total Pension and Other Employee Benefits - Retiree Healthcare Trust Fund
<b>Additions</b>			
Investment income	\$ 2	\$ 4,904	\$ 4,906
Contributions:			
Employer contributions	-	994,646	994,646
Employee contributions	-	19,872	19,872
Total contributions	-	1,014,518	1,014,518
Total additions	2	1,019,422	1,019,424
<b>Deductions</b>			
Benefit payments	-	837,639	837,639
Net transfer to MERS	-	173,477	173,477
Total deductions	-	1,011,116	1,011,116
<b>Net Increase in Net Position Held in Trust</b>	2	8,306	8,308
<b>Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	77	231,650	231,727
<b>Net Position Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 79</b>	<b>\$ 239,956</b>	<b>\$ 240,035</b>