
Village of Milford, Michigan

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

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Independent Auditor's Report

To the Board of Directors
Village of Milford, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Milford, 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 Milford, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Milford, 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 Board of Directors
Village of Milford, 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 Supplemental Information

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

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

Plante & Moran, PLLC

November 8, 2019

Our discussion and analysis of the Village of Milford, Michigan's (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Village's financial statements.

Using This Annual Report

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

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

The Village as a Whole

The following table shows, in a condensed format, the net position as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 10,042,141	\$ 6,547,694	\$ 3,763,850	\$ 3,241,714	\$ 13,805,991	\$ 9,789,408
Capital assets	10,579,687	10,514,598	20,438,054	18,523,908	31,017,741	29,038,506
Total assets	20,621,828	17,062,292	24,201,904	21,765,622	44,823,732	38,827,914
Deferred Outflows of Resources						
	1,113,760	477,961	200,496	25,640	1,314,256	503,601
Liabilities						
Current liabilities	302,181	366,813	173,398	667,765	475,579	1,034,578
Long-term liabilities	7,253,259	3,689,782	11,802,252	9,595,743	19,055,511	13,285,525
Total liabilities	7,555,440	4,056,595	11,975,650	10,263,508	19,531,090	14,320,103
Deferred Inflows of Resources						
	114,679	321,591	37,257	16,015	151,936	337,606
Net Position						
Net investment in capital assets	10,209,948	10,155,379	9,238,620	9,137,946	19,448,568	19,293,325
Restricted	7,817,912	4,495,429	-	-	7,817,912	4,495,429
Unrestricted	(3,962,391)	(1,488,741)	3,150,873	2,373,793	(811,518)	885,052
Total net position	\$ 14,065,469	\$ 13,162,067	\$ 12,389,493	\$ 11,511,739	\$ 26,454,962	\$ 24,673,806

As of June 30, 2019, the Village's combined net position increased by 7.2 percent from a year ago, from approximately \$24,674,000 to \$26,455,000. Total assets increased by 15.4 percent and total liabilities increased by 36.4 percent. These increases reflect the Village's commitment to investing in its infrastructure.

Village of Milford, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of net position during the current and prior years:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue						
Program revenue:						
Charges for services	\$ 3,868,158	\$ 3,871,664	\$ 3,156,042	\$ 3,210,437	\$ 7,024,200	\$ 7,082,101
Operating grants and contributions	66,308	47,304	-	-	66,308	47,304
Capital grants and contributions	12,194	28,185	180,628	697,799	192,822	725,984
General revenue:						
Property taxes	2,049,574	1,979,637	-	-	2,049,574	1,979,637
State-shared revenue	1,384,694	1,273,175	-	-	1,384,694	1,273,175
Unrestricted investment earnings	152,453	75,552	33,372	47,093	185,825	122,645
Other revenue:						
Franchise fees	133,905	135,007	-	-	133,905	135,007
Gain on sale of capital assets	14,000	10,694	-	(30,146)	14,000	(19,452)
Other miscellaneous income	167,897	208,927	-	-	167,897	208,927
Total revenue	7,849,183	7,630,145	3,370,042	3,925,183	11,219,225	11,555,328
Expenses						
General government	720,531	743,500	-	-	720,531	743,500
Public safety	3,736,722	3,549,753	-	-	3,736,722	3,549,753
Public works	2,426,188	2,330,893	-	-	2,426,188	2,330,893
Community and economic development	40,923	34,063	-	-	40,923	34,063
Interest on long-term debt	21,417	12,552	-	-	21,417	12,552
Water and sewer	-	-	2,492,288	2,399,565	2,492,288	2,399,565
Total expenses	6,945,781	6,670,761	2,492,288	2,399,565	9,438,069	9,070,326
Change in Net Position	\$ 903,402	\$ 959,384	\$ 877,754	\$ 1,525,618	\$ 1,781,156	\$ 2,485,002

Governmental Activities

During the current year, the Village's governmental revenue increased by approximately \$219,000. Declines in miscellaneous revenue and capital grants were a major factor. Expenditures were higher due to the full accrual accounting for capital assets and OPEB. As a result, the change in governmental net position decreased from approximately \$959,000 to \$903,000.

Business-type Activities

The Village's business-type activities consist of the activity in the Water and Sewer Fund. Residents receive water from two municipal wells and are provided sewage treatment through a sewage treatment plant owned and operated by the Village.

For the second year in a row, water use in the Village was down. On average 200 million gallons are billed; for the 2018-2019 fiscal year, the use came in at 195 million gallons, which is reflected in the decrease for charges for services. Capital grants and contributions declined due to the reduction in allowable expenditures for the Stormwater, Asset Management and Wastewater (SAW) Grant Program. During the year, the Village had televised and cleaned sewer lines, which were reimbursable through the program.

Long-term debt increased from \$8.7 million to \$10.3 million, and capital assets increased by \$1.9 million. This is largely due in part to the renovation of the Wastewater Treatment Plant, which started in the fall of 2015. Overall, the net position increased by just over 7 percent from last year.

Village of Milford, Michigan

Management's Discussion and Analysis (Continued)

The Village's Funds

Our analysis of the Village's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes, as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2018-2019 include the General Fund, the Municipal Street Fund, and the Police Fund.

In 2019, the General Fund recognized a decrease in revenue of approximately \$117,000. While building activity remained active, there was a significant reduction in revenue from permits. Expenditures increased slightly due to fluctuations in debt service payments.

The Municipal Street Fund started in fiscal year 2013-2014 with a dedicated millage to maintain and improve village streets. In 2018, voters amended the millage by reducing the millage rate and extending the duration of the levy. As this provided the Village with a substantial source of income for a longer period of time, bonds were sold in 2019 for \$2,545,000 to expedite and fund repairs. Peters Road is due to be paved in 2020 as part of the bond sale.

The Police Fund experienced a slight increase in revenue over the budgeted amount. Expenditures came in under budget by approximately 6 percent due in part to lower salaries and fringes. Purchases include new tasers for the department and two new vehicles. Computer equipment is replaced annually as needed. Fund balance recorded a 7 percent increase from last fiscal year.

Capital Assets and Debt Administration

During fiscal year 2018-2019, the Village added over \$5 million to its investment in capital assets. Total assets, net of depreciation, including buildings, public works, police equipment, streets, sidewalks, parking lots, bridges, and water and sewer systems, were approximately \$19,878,000, plus construction in progress (CIP) which is valued at \$11,140,000. The largest portion of CIP is the WWTP project which has an estimated cost of \$9.9 million. Total outstanding debt for the Village is \$14,034,000. The legal debt limit is 10 percent of our State Equalized Value (SEV). Our current level of debt is 3.3 percent.

Economic Factors and Next Year's Budgets and Rates

The Village's taxable value of \$285 million has increased by over 7 percent from last year. This now dissipates the 12-year loss of values the Village has experienced. Even with the increase, the Headlee Amendment has reduced revenue by \$55,000 compared to 2007. The overall millage rate decreased, going from 8.3974 mills to 8.0483 mills. The Refuse Levy went up by 0.100 mills to 2.000 mills, although the Village is authorized to levy 2.7432 mills. General operating went down by 0.0513 mills, and the Street Levy went down by 0.3978 mills due to voters amending the Street Levy in November 2018, which reduced the amount of the levy, but for an extended period of time. The Downtown Development Authority levies an additional 1.6637 mills in its district, which remained unchanged from the prior year.

Effective July 1, 2019, rates for water increased slightly, while wastewater remained the same. The water system has four bonds outstanding with maturities ranging from fiscal year 2021-2022 through 2029-2030. Wastewater has two bonds outstanding with maturities from 2029-2030 through 2037-2038. Rates for debt service payments vary due to fluctuations in payments. The renovation project at the Wastewater Treatment Plant, which began in 2015, is wrapping up in FY 2019-2020. The estimated cost of the project is \$9.9 million.

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 demonstrate 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 treasurer's office.

Village of Milford, Michigan

Statement of Net Position

June 30, 2019

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 6,744,550	\$ 2,900,101	\$ 9,644,651	\$ 429,276
Receivables:				
Customer	71,752	841,402	913,154	-
Accrued interest	36,680	10,542	47,222	3,246
Other	19,999	-	19,999	65,696
Due from other governments	204,607	-	204,607	-
Capital lease	53,556	-	53,556	-
Prepaid expenses and other assets	76,762	-	76,762	-
Restricted cash	2,545,000	-	2,545,000	422,094
Net other postemployment benefit asset (Note 11)	289,235	11,805	301,040	-
Capital assets: (Note 4)				
Assets not subject to depreciation	711,674	10,769,858	11,481,532	1,303,182
Assets subject to depreciation	9,868,013	9,668,196	19,536,209	279,352
Total assets	20,621,828	24,201,904	44,823,732	2,502,846
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	1,070,755	198,748	1,269,503	-
Deferred OPEB costs (Note 11)	43,005	1,748	44,753	-
Total deferred outflows of resources	1,113,760	200,496	1,314,256	-
Liabilities				
Accounts payable	204,629	95,095	299,724	95,461
Accrued liabilities and other	97,049	78,303	175,352	9,935
Unearned revenue	503	-	503	300,000
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	280,414	22,680	303,094	-
Current portion of installment payments to MDEQ (Note 6)	-	-	-	18,571
Current portion of long-term debt (Note 7)	318,570	856,249	1,174,819	79,000
Due in more than one year:				
Compensated absences (Note 7)	149,742	-	149,742	-
Installment payments to MDEQ (Note 6)	-	-	-	92,858
Landfill closure and postclosure care	200,000	-	200,000	-
Long-term debt (Note 7)	2,596,169	10,343,185	12,939,354	1,025,431
Net pension liability (Note 9)	3,708,364	580,138	4,288,502	-
Total liabilities	7,555,440	11,975,650	19,531,090	1,621,256
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	12,665	33,101	45,766	-
Deferred OPEB cost reductions (Note 11)	102,014	4,156	106,170	-
Total deferred inflows of resources	114,679	37,257	151,936	-
Net Position				
Net investment in capital assets	10,209,948	9,238,620	19,448,568	900,197
Restricted:				
Streets and highways	3,931,985	-	3,931,985	-
Police operations	3,540,598	-	3,540,598	-
Drug law enforcement	4,127	-	4,127	-
PEG fees	53,466	-	53,466	-
Transportation - Senior van	22,403	-	22,403	-
Refuse	265,333	-	265,333	-
Unrestricted	(3,962,391)	3,150,873	(811,518)	(18,607)
Total net position	\$ 14,065,469	\$ 12,389,493	\$ 26,454,962	\$ 881,590

Village of Milford, Michigan

Functions/Programs	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 720,531	\$ 132,051	\$ -	\$ -
Public safety	3,736,722	3,697,001	14,361	-
Public works	2,426,188	-	-	12,194
Community and economic development	40,923	39,106	51,947	-
Interest on long-term debt	21,417	-	-	-
Total governmental activities	6,945,781	3,868,158	66,308	12,194
Business-type activities:				
Enterprise Fund - Water	831,350	1,064,220	-	5,468
Enterprise Fund - Sewer	1,660,938	2,091,822	-	175,160
Total business-type activities	2,492,288	3,156,042	-	180,628
Total primary government	\$ 9,438,069	\$ 7,024,200	\$ 66,308	\$ 192,822
Component units - Downtown Development Authority	\$ 347,656	\$ -	\$ -	\$ -

General revenue:
 Property taxes
 State-shared revenue
 Investment income
 Cable franchise fees
 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	Component Units
\$ (588,480)	\$ -	\$ (588,480)	\$ -
(25,360)	-	(25,360)	-
(2,413,994)	-	(2,413,994)	-
50,130	-	50,130	-
(21,417)	-	(21,417)	-
(2,999,121)	-	(2,999,121)	-
-	238,338	238,338	-
-	606,044	606,044	-
-	844,382	844,382	-
(2,999,121)	844,382	(2,154,739)	-
-	-	-	(347,656)
2,049,574	-	2,049,574	398,501
1,384,694	-	1,384,694	12,149
152,453	33,372	185,825	21,743
133,905	-	133,905	-
14,000	-	14,000	-
167,897	-	167,897	82,246
3,902,523	33,372	3,935,895	514,639
903,402	877,754	1,781,156	166,983
13,162,067	11,511,739	24,673,806	714,607
\$ 14,065,469	\$ 12,389,493	\$ 26,454,962	\$ 881,590

Village of Milford, Michigan

Governmental Funds Balance Sheet

June 30, 2019

	General Fund	Police Fund	Municipal Street Fund	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 1,480,462	\$ 3,615,676	\$ 719,820	\$ 928,592	\$6,744,550
Receivables:					
Capital lease	53,556	-	-	-	53,556
Customer	70,090	-	-	1,662	71,752
Accrued interest	6,421	14,543	12,326	3,390	36,680
Other	7,044	6,683	-	6,272	19,999
Due from other governments	102,567	-	-	102,040	204,607
Prepaid expenses and other assets	46,038	-	-	30,724	76,762
Restricted cash	-	-	2,545,000	-	2,545,000
	<u>\$ 1,766,178</u>	<u>\$ 3,636,902</u>	<u>\$ 3,277,146</u>	<u>\$ 1,072,680</u>	<u>\$9,752,906</u>
Total assets					
Liabilities					
Accounts payable	\$ 78,566	\$ 47,093	\$ 46,770	\$ 32,200	\$ 204,629
Accrued liabilities and other	35,302	49,211	-	-	84,513
Unearned revenue	503	-	-	-	503
	<u>114,371</u>	<u>96,304</u>	<u>46,770</u>	<u>32,200</u>	<u>289,645</u>
Total liabilities					
Deferred Inflows of Resources -					
Unavailable revenue	82,458	-	-	-	82,458
	<u>82,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,458</u>
Total liabilities and deferred inflows of resources	196,829	96,304	46,770	32,200	372,103
Fund Balances					
Nonspendable - Prepays	46,038	-	-	30,724	76,762
Restricted:					
Roads	-	-	3,230,376	670,885	3,901,261
Police	-	3,540,598	-	-	3,540,598
Drug law enforcement	-	-	-	4,127	4,127
PEG fees	53,466	-	-	-	53,466
Senior van	-	-	-	22,403	22,403
Refuse	-	-	-	265,333	265,333
Assigned:					
Retiree health care	65,767	-	-	-	65,767
Parking	263,327	-	-	-	263,327
Capital projects	-	-	-	47,008	47,008
Unassigned	1,140,751	-	-	-	1,140,751
	<u>1,569,349</u>	<u>3,540,598</u>	<u>3,230,376</u>	<u>1,040,480</u>	<u>9,380,803</u>
Total fund balances					
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,766,178</u>	<u>\$ 3,636,902</u>	<u>\$ 3,277,146</u>	<u>\$ 1,072,680</u>	<u>\$9,752,906</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2019

Fund Balances Reported in Governmental Funds	\$ 9,380,803
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	10,579,687
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	82,458
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(2,914,739)
Accrued interest is not due and payable in the current period and is not reported in the funds	(12,536)
Some employee fringe benefits are receivable (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) assets:	
Employee compensated absences	(430,156)
Pension benefits	(3,708,364)
Retiree healthcare benefits	289,235
Deferred inflows and outflows related to pension and retiree healthcare benefits do not provide current financial resources and are not reported in governmental funds	999,081
Other long-term liabilities, such as potential environmental remediation, do not present a claim on current financial resources and are not reported as fund liabilities	(200,000)
Net Position of Governmental Activities	<u>\$ 14,065,469</u>

Village of Milford, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2019

	General Fund	Police Fund	Municipal Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 792,561	\$ -	\$ 793,432	\$ 463,581	\$ 2,049,574
Special assessments	27,267	-	-	-	27,267
Intergovernmental:					
Federal grants	18,945	-	-	12,194	31,139
State sources	625,843	76,175	6,148	682,263	1,390,429
Charges for services to external parties	179,055	3,587,596	-	-	3,766,651
Fines and forfeitures	11,194	-	-	-	11,194
Fees:					
Cable franchise fees	133,905	-	-	-	133,905
Licenses and permits	126,503	-	-	-	126,503
Investment income	44,881	53,188	40,937	13,447	152,453
Other revenue - Other miscellaneous income	108,949	31,973	4,856	33,382	179,160
Total revenue	2,069,103	3,748,932	845,373	1,204,867	7,868,275
Expenditures					
Current services:					
General government	672,107	-	-	-	672,107
Public safety	187,925	3,490,006	-	24,656	3,702,587
Public works	1,002,930	-	373,246	1,156,476	2,532,652
Community and economic development	25,284	-	-	5,735	31,019
Capital outlay	-	19,385	-	-	19,385
Debt service:					
Principal	96,656	-	-	-	96,656
Interest on long-term debt	13,905	-	-	-	13,905
Total expenditures	1,998,807	3,509,391	373,246	1,186,867	7,068,311
Excess of Revenue Over Expenditures	70,296	239,541	472,127	18,000	799,964
Other Financing Sources (Uses)					
Transfers in (Note 5)	-	-	-	82,550	82,550
Transfers out (Note 5)	(33,750)	-	(18,800)	(30,000)	(82,550)
New debt issued (Note 7)	-	-	2,545,000	-	2,545,000
Capital leases	107,176	-	-	-	107,176
Total other financing sources	73,426	-	2,526,200	52,550	2,652,176
Net Change in Fund Balances	143,722	239,541	2,998,327	70,550	3,452,140
Fund Balances - Beginning of year	1,425,627	3,301,057	232,049	969,930	5,928,663
Fund Balances - End of year	\$ 1,569,349	\$ 3,540,598	\$ 3,230,376	\$ 1,040,480	\$ 9,380,803

Village of Milford, 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

Net Change in Fund Balances Reported in Governmental Funds	\$ 3,452,140
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	856,087
Depreciation expense	(790,998)
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	(19,092)
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(2,652,176)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	96,656
Interest expense is recognized in the government-wide statements as it accrues	(7,512)
Compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(42,963)
Change in net pension liability	(964,994)
Change in net other postemployment benefit asset	133,543
Deferred inflows related to pension and OPEB are recorded when incurred in the statement of activities	200,115
Deferred outflows related to pension and OPEB are recorded when incurred in the statement of activities	642,596
Change in Net Position of Governmental Activities	<u>\$ 903,402</u>

Village of Milford, Michigan

Proprietary Funds Statement of Net Position

June 30, 2019

	Enterprise Fund - Water and Sewer	Enterprise Fund - Sewer	Enterprise Fund - Water	Total Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 2,198,336	\$ 701,765	\$ 2,900,101
Receivables from sales to customers on account	-	588,669	263,275	851,944
Total current assets	-	2,787,005	965,040	3,752,045
Noncurrent assets:				
Net other postemployment benefit asset (Note 11)	-	5,896	5,909	11,805
Capital assets: (Note 4)				
Assets not subject to depreciation	-	10,769,858	-	10,769,858
Assets subject to depreciation	-	2,706,924	6,961,272	9,668,196
Total noncurrent assets	-	13,482,678	6,967,181	20,449,859
Total assets	-	16,269,683	7,932,221	24,201,904
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	-	153,381	45,367	198,748
Deferred OPEB costs (Note 11)	-	874	874	1,748
Total deferred outflows of resources	-	154,255	46,241	200,496
Liabilities				
Current liabilities:				
Accounts payable	-	90,997	4,098	95,095
Accrued liabilities and other	-	66,273	12,030	78,303
Compensated absences (Note 7)	-	4,175	18,505	22,680
Current portion of long-term debt (Note 7)	-	542,253	313,996	856,249
Total current liabilities	-	703,698	348,629	1,052,327
Noncurrent liabilities:				
Net pension liability (Note 9)	-	464,110	116,028	580,138
Long-term debt (Note 7)	-	8,896,671	1,446,514	10,343,185
Total noncurrent liabilities	-	9,360,781	1,562,542	10,923,323
Total liabilities	-	10,064,479	1,911,171	11,975,650
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 9)	-	20,839	12,262	33,101
Deferred OPEB cost reductions (Note 11)	-	2,076	2,080	4,156
Total deferred inflows of resources	-	22,915	14,342	37,257
Net Position				
Net investment in capital assets	-	4,037,858	5,200,762	9,238,620
Unrestricted	-	2,298,686	852,187	3,150,873
Total net position	\$ -	\$ 6,336,544	\$ 6,052,949	\$ 12,389,493

Village of Milford, Michigan

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2019

	Enterprise Fund - Water and Sewer	Enterprise Fund - Sewer	Enterprise Fund - Water	Total Enterprise Funds
Operating Revenue				
Water and sewer billings	\$ -	\$ 1,302,064	\$ 679,833	\$ 1,981,897
Miscellaneous	-	58,769	13,121	71,890
Total operating revenue	-	1,360,833	692,954	2,053,787
Operating Expenses				
Salaries and wages	-	485,557	250,508	736,065
Benefits	-	226,589	5,837	232,426
Operating supplies	-	66,646	24,246	90,892
Utilities	-	106,201	69,502	175,703
Equipment rental	-	11,660	12,778	24,438
Contracted services	-	58,738	26,537	85,275
Maintenance	-	253,303	47,068	300,371
Insurance	-	20,213	18,823	39,036
Data processing	-	8,991	2,500	11,491
Miscellaneous	-	17,319	6,384	23,703
Depreciation	-	184,045	315,996	500,041
Total operating expenses	-	1,439,262	780,179	2,219,441
Operating Loss	-	(78,429)	(87,225)	(165,654)
Nonoperating Revenue (Expense)				
Investment income	-	21,824	11,548	33,372
Interest expense	-	(221,676)	(51,171)	(272,847)
Connection fees	-	47,544	50,267	97,811
Water and sewer debt charges	-	683,445	320,999	1,004,444
Total nonoperating revenue	-	531,137	331,643	862,780
Income - Before capital contributions	-	452,708	244,418	697,126
Capital Contributions - Capital grants	-	175,160	5,468	180,628
Special Item - Transfer of water and sewer net position to individual funds	(11,511,739)	5,708,676	5,803,063	-
Change in Net Position	(11,511,739)	6,336,544	6,052,949	877,754
Net Position - Beginning of year	11,511,739	-	-	11,511,739
Net Position - End of year	<u>\$ -</u>	<u>\$ 6,336,544</u>	<u>\$ 6,052,949</u>	<u>\$ 12,389,493</u>

Proprietary Funds
Statement of Cash Flows

Year Ended June 30, 2019

	Enterprise Fund - Water and Sewer	Enterprise Fund - Sewer	Enterprise Fund - Water	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ -	\$ 1,096,863	\$ 971,519	\$ 2,068,382
Payments to suppliers	-	(525,016)	(470,146)	(995,162)
Payments to employees and fringes	-	(595,572)	(390,148)	(985,720)
Net cash and cash equivalents (used in) provided by operating activities	-	(23,725)	111,225	87,500
Cash Flows from Noncapital Financing Activities -				
Transfer (to) from other funds	(2,349,416)	1,693,588	655,828	-
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds	-	2,566,866	-	2,566,866
Capital grants	-	175,160	5,468	180,628
Purchase of capital assets	-	(2,302,225)	(111,962)	(2,414,187)
Principal and interest paid on capital debt	-	(664,033)	(352,451)	(1,016,484)
Debt service charge	-	683,445	320,999	1,004,444
Connection fees	-	47,544	50,267	97,811
Net cash and cash equivalents provided by (used in) capital and related financing activities	-	506,757	(87,679)	419,078
Cash Flows Provided by Investing Activities - Interest received on investments	-	21,716	22,391	44,107
Net (Decrease) Increase in Cash and Cash Equivalents	(2,349,416)	2,198,336	701,765	550,685
Cash and Cash Equivalents - Beginning of year	2,349,416	-	-	2,349,416
Cash and Cash Equivalents - End of year	<u>\$ -</u>	<u>\$ 2,198,336</u>	<u>\$ 701,765</u>	<u>\$ 2,900,101</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ -	\$ (78,429)	\$ (87,225)	\$ (165,654)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	-	184,045	315,996	500,041
Changes in assets and liabilities:				
Receivables	-	(263,970)	278,565	14,595
Accrued and other liabilities	-	264,609	(23,950)	240,659
Accounts payable	-	(129,980)	(372,161)	(502,141)
Total adjustments	-	54,704	198,450	253,154
Net cash (used in) provided by operating activities	<u>\$ -</u>	<u>\$ (23,725)</u>	<u>\$ 111,225</u>	<u>\$ 87,500</u>

During the year ended June 30, 2019, the Village split the previously combined Water and Sewer Fund as of July 1, 2018 to individual Water and Sewer funds. The transfer of the July 1, 2018 noncash balance sheet balances to the individual Water and Sewer funds was a noncash transaction.

Village of Milford, Michigan

Fiduciary Fund
Statement of Fiduciary Assets and Liabilities

June 30, 2019

	<u>Agency Fund</u>
Assets - Cash and cash equivalents	<u>\$ 150,735</u>
Liabilities - Refundable deposits, bonds, etc.	<u>\$ 150,735</u>

Village of Milford, Michigan

Component Units Statement of Net Position

June 30, 2019

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents	\$ 425,854	\$ 3,422	\$ 429,276
Receivables	68,942	-	68,942
Restricted cash	422,094	-	422,094
Capital assets:			
Assets not subject to depreciation	1,303,182	-	1,303,182
Assets subject to depreciation	279,352	-	279,352
Total assets	2,499,424	3,422	2,502,846
Liabilities			
Accounts payable	95,461	-	95,461
Accrued liabilities and other:			
Accrued salaries and wages	1,916	-	1,916
Accrued interest payable	7,442	-	7,442
Accrued other	577	-	577
Unearned revenue	300,000	-	300,000
Noncurrent liabilities:			
Debt due within one year:			
Current portion of installment payments to MDEQ	18,571	-	18,571
Current portion of long-term debt	79,000	-	79,000
Due in more than one year:			
Installment payments to MDEQ	92,858	-	92,858
Long-term debt	1,025,431	-	1,025,431
Total liabilities	1,621,256	-	1,621,256
Net Position			
Net investment in capital assets	900,197	-	900,197
Unrestricted	(22,029)	3,422	(18,607)
Total net position	<u>\$ 878,168</u>	<u>\$ 3,422</u>	<u>\$ 881,590</u>

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

Blended Component Units

The Parking Authority is incorporated into the Village's financial statements. It is governed by the Village Council. The Village has retained responsibility for funding the Parking Authority and exercises ultimate control over it.

Discretely Presented Component Units

The following component units are reported within the component unit column in the financial statements. They are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Village.

Downtown Development Authority

The Downtown Development Authority (the "Authority") was created to promote economic growth within the downtown district. The Authority's governing body, which consists of 10 individuals, is appointed by the Village Council. In addition, the Authority's budget is subject to approval by the Village Council.

Brownfield Redevelopment Financing Authority

The Brownfield Redevelopment Financing Authority (the "Brownfield Authority") was established pursuant to Public Act 381 of 1996. The Brownfield Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Village. The Authority's governing body, which consists of seven individuals, is appointed by the Village Council. In addition, the Authority's budget is subject to approval by the Village Council.

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.

Note 1 - Significant Accounting Policies (Continued)

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

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there 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.

Basis of Accounting

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

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

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

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

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 it spends certain resources; separate funds allow the Village to show the particular expenditures for which specific revenue is used. The various funds are aggregated into 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. Special revenue funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions. 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 Police Fund accounts for the activities of the Village's police department. A millage is levied by Milford Township on all township and village residents to provide police services to all residents within the village and township boundaries.
- The Municipal Street Fund is funded by a special voted millage and accounts for the operation, maintenance, and construction of all village roads not otherwise funded by Act 51, which are accounted for through the Major Streets and Local Streets funds (both nonmajor special revenue funds).

Proprietary Funds

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

- The Water and Sewer Fund provided water to customer and disposed of sanitary sewage in exchange for quarterly user charges in the past and transferred operations to the individual Sewer Fund and Water Fund during the current year.
- The Sewer Fund disposes of sanitary sewage in exchange for quarterly user charges.
- The Water Fund provides water to customers in exchange for quarterly user charges.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the Village's programs. Activities that are reported as fiduciary include the agency fund. The agency fund is used to account for assets held by the Village in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Note 1 - Significant Accounting Policies (Continued)

Interfund Activity

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

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

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments

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

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items

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

Restricted Cash

Unspent bond proceeds of the Municipal Street Fund and unspent debt proceeds of the Downtown Development Authority are required to be set aside for construction. These amounts have been classified as restricted cash.

Capital Assets

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

June 30, 2019

Note 1 - Significant Accounting Policies (Continued)

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

	Depreciable Life - Years
Building	25 to 50
Equipment and machinery	3 to 15
Furniture	10
Vehicles	3 to 10
Land improvements	10 to 20
Treatment plant/Iron removal plant	5 to 50
Water lines	10 to 50
Sewer system	50
Streets, sidewalks, and bridges	20 to 40

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as "other financing sources" and bond discounts as "other financing uses." The General Fund and Water and Sewer funds 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 related to the defined benefit pension plan and retiree healthcare plan in the government-wide financial statements and the Water and Sewer funds. The deferred outflows of resources result from four transactions: contributions to the defined benefit pension plan and retiree healthcare plan subsequent to the plan's year end through the Village's fiscal year end, changes in assumptions, difference between expected and actual experience, and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

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

Note 1 - Significant Accounting Policies (Continued)

The Village has three items that qualify for reporting in this category: deferred inflows of resources related to unavailable revenue, deferred inflows of resources related to the defined benefit pension plan, and deferred inflows of resources related to the retiree healthcare plan. Unavailable revenue is reported only in the governmental funds balance sheet. Deferred inflows of resources related to the defined benefit pension plan and retiree healthcare plan are reported in the government-wide financial statements and the Water and Sewer funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position of the Village is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

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 Village'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 Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Village itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Village's highest level of decision-making authority. The Village Council is the highest level of decision-making authority for the Village 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.

Note 1 - Significant Accounting Policies (Continued)

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The Village Council has, by resolution, authorized the treasurer/finance director to assign fund balance. 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. Unassigned is the remaining classification after all of the funds have been allocated to the appropriate fund balance components noted above.

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 on September 1 of the following year, at which time penalties and interest are assessed.

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 \$265.9 million (a portion of which is abated, and a portion of which is captured by the DDA), on which taxes levied consisted of 3.2455 mills for operating purposes, 1.90 mills for refuse collection, and 3.2519 mills for roads. This resulted in approximately \$793,000 for operating, \$464,000 for refuse collection, and \$793,000 for roads. These amounts are recognized in the General Fund, Refuse Fund, and Municipal Street Fund financial statements as tax revenue.

Special Item

During the year ended June 30, 2019, the Village transferred the Water and Sewer Fund net position as of July 1, 2018 to individual Water and Sewer funds. This transaction is shown as a special item on the proprietary funds statement of revenue, expenses, and changes in net position.

Pension

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

Other Postemployment Benefit Costs

The Village offers retiree healthcare benefits to retirees. The Village records a net OPEB asset 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 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.

Note 1 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. Compensated absences will be liquidated primarily by the General Fund, the Water Fund, and the Sewer Fund.

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 proprietary funds is charges to customers for sales or services. Operating expenses for these funds include the cost of sales or services and administrative expenses and may include depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

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

Upcoming Accounting Pronouncements

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

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

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

June 30, 2019

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Shortfall at July 1, 2018		\$ (471,895)
Current year permit revenue		140,181
Related expenses:		
Construction code direct expenses	\$ 188,585	
Construction code indirect expenses	16,671	<u>205,256</u>
Current year shortfall		<u>(65,075)</u>
Cumulative shortfall June 30, 2019		<u><u>\$ (536,970)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that agency funds' investment earnings are allocated to the General Fund.

The Village's investment policy, adopted in accordance with state law, permits the Village to invest in investment pools organized under the Surplus Funds Investment Act of 1982 and under the Investment Company Act of 1940.

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

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 \$6,532,251 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.

Note 3 - Deposits and Investments (Continued)

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 had the following investments:

Primary Government

Investment	Carrying Value	Weighted- average Maturity (Years)
Oakland County Investment Pool	\$ 2,334,973	0.71
Commercial paper	351,639	0.57

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of June 30, 2019, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Primary Government

Investment	Carrying Value	Rating	Rating Organization
Oakland County Investment Pool	\$ 2,334,973	Unrated	N/A
MBIA Class	1,527,800	AAAm	S&P
Commercial paper	351,639	A1	Moody's
Negotiable CDs	2,102,071	Unrated	N/A

Concentration of Credit Risk

The Village places no limit on the amount it may invest in any one issuer. There are no investments held by the Village with a 5 percent or more concentration in the current year.

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 the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

June 30, 2019

Note 3 - Deposits and Investments (Continued)

The Village has the following recurring fair value measurements as of June 30, 2019.

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Investments measured at fair value:				
Commercial paper	\$ -	\$ 351,639	\$ -	\$ 351,639
Negotiable certificates of deposit	-	2,102,071	-	2,102,071
Investments measured at net asset value (NAV):				
Michigan CLASS Investment Pool				1,527,800
Oakland County Local Government Investment Pool				2,334,973
Total investments	\$ -	\$ 2,453,710	\$ -	\$ 6,316,483

Commercial paper is valued using broker quotes that utilize observable market inputs.

Investments in Entities that Calculate Net Asset Value per Share

The Village holds shares in investment pools whereby the fair value of the investments is measured on a recurring basis using net asset value per share of the investment pools as a practical expedient.

At June 30, 2019, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan Class Investment Pool	\$ 1,527,800	\$ -	N/A	None
Oakland County Local Government Investment Pool	2,334,973	-	N/A	None
Total	\$ 3,862,773	\$ -		

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

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

June 30, 2019

Note 4 - Capital Assets

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

Governmental Activities

	Balance July 1, 2018	Reclassifications /Transfers	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 341,660	\$ -	\$ -	\$ -	\$ 341,660
Construction in progress	722,832	(666,096)	313,278	-	370,014
Subtotal	1,064,492	(666,096)	313,278	-	711,674
Capital assets being depreciated:					
Equipment	2,504,295	106,624	251,971	(39,497)	2,823,393
Furniture	41,661	-	-	-	41,661
Streets, sidewalks, and bridges	21,645,012	559,472	75,248	-	22,279,732
Vehicles	982,338	23,896	183,812	-	1,190,046
Land improvements	499,535	-	-	-	499,535
Building	2,835,444	-	31,778	-	2,867,222
Subtotal	28,508,285	689,992	542,809	(39,497)	29,701,589
Accumulated depreciation:					
Equipment	1,725,280	-	122,596	(39,497)	1,808,379
Furniture	15,610	-	2,139	-	17,749
Streets, sidewalks, and bridges	14,628,372	-	461,176	-	15,089,548
Vehicles	678,486	23,896	112,657	-	815,039
Land improvements	431,139	-	8,828	-	439,967
Building	1,579,292	-	83,602	-	1,662,894
Subtotal	19,058,179	23,896	790,998	(39,497)	19,833,576
Net capital assets being depreciated	9,450,106	666,096	(248,189)	-	9,868,013
Net governmental activities capital assets	\$ 10,514,598	\$ -	\$ 65,089	\$ -	\$ 10,579,687

June 30, 2019

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2018	Reclassifications	Additions	Disposals/ Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Sewer construction in progress	\$ 8,688,278	\$ -	\$ 2,081,580	\$ -	\$ 10,769,858
Water construction in progress	218,220	(223,220)	5,000	-	-
Subtotal	8,906,498	(223,220)	2,086,580	-	10,769,858
Capital assets being depreciated:					
Treatment plant	8,491,175	-	-	-	8,491,175
Sewer equipment	890,414	-	21,838	-	912,252
Water equipment	358,638	-	76,202	-	434,840
Sewer vehicles	90,726	-	29,175	(23,896)	96,005
Water vehicles	57,648	-	-	-	57,648
Water lines	11,885,862	223,220	30,760	-	12,139,842
Sewer system	4,525,125	-	169,632	-	4,694,757
Iron removal plant	544,426	-	-	-	544,426
Subtotal	26,844,014	223,220	327,607	(23,896)	27,370,945
Accumulated depreciation:					
Treatment plant	8,323,253	-	26,391	-	8,349,644
Sewer equipment	655,592	-	31,049	-	686,641
Water equipment	252,905	-	25,765	-	278,670
Sewer vehicles	61,363	-	9,062	(23,896)	46,529
Water vehicles	45,906	-	8,235	-	54,141
Water lines	5,125,183	-	270,734	-	5,395,917
Sewer system	2,285,814	-	118,638	-	2,404,452
Iron removal plant	476,588	-	10,167	-	486,755
Subtotal	17,226,604	-	500,041	(23,896)	17,702,749
Net capital assets being depreciated	9,617,410	223,220	(172,434)	-	9,668,196
Net business-type activities capital assets	<u>\$ 18,523,908</u>	<u>\$ -</u>	<u>\$ 1,914,146</u>	<u>\$ -</u>	<u>\$ 20,438,054</u>

June 30, 2019

Note 4 - Capital Assets (Continued)

Component Units

	Balance July 1, 2018	Reclassifications	Additions	Disposals	Balance June 30, 2019
Capital assets not being depreciated:					
Land	\$ 790,721	\$ -	\$ -	\$ -	\$ 790,721
Construction in progress	379,465	-	132,996	-	512,461
Subtotal	1,170,186	-	132,996	-	1,303,182
Capital assets being depreciated:					
Equipment	615,236	-	-	-	615,236
Furniture	14,500	-	2,481	-	16,981
Streets, sidewalks, and bridges	1,157,120	-	-	-	1,157,120
Buildings	100,000	-	-	-	100,000
Subtotal	1,886,856	-	2,481	-	1,889,337
Accumulated depreciation:					
Equipment	590,662	-	9,385	-	600,047
Furniture	14,200	-	548	-	14,748
Street, sidewalks, and bridges	906,807	-	56,383	-	963,190
Buildings	30,000	-	2,000	-	32,000
Subtotal	1,541,669	-	68,316	-	1,609,985
Net capital assets being depreciated	345,187	-	(65,835)	-	279,352
Net capital assets	<u>\$ 1,515,373</u>	<u>\$ -</u>	<u>\$ 67,161</u>	<u>\$ -</u>	<u>\$ 1,582,534</u>

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

Governmental activities:	
General government	\$ 107,112
Public safety	161,855
Public works	50,951
Streets	461,176
Parking	9,904
Total governmental activities	<u>\$ 790,998</u>
Business-type activities:	
Water	\$ 315,996
Sewer	184,045
Total business-type activities	<u>\$ 500,041</u>
Component unit activities - DDA	\$ 68,316

June 30, 2019

Note 5 - Interfund Receivables, Payables, and Transfers

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Sidewalk Fund	\$ 15,000
	Local Streets Fund	18,750
	Total General Fund	33,750
Municipal Street Fund	Local Streets Fund	18,800
Major Streets Fund	Local Streets Fund	30,000
	Total	<u>\$ 82,550</u>

The transfers from the General Fund and Major Streets Fund into the Local Streets Fund and Sidewalk Fund and the transfer from the Municipal Street Fund into the Local Streets Fund were for street maintenance and the maintenance of sidewalks, respectively.

Note 6 - Installment Payments to MDEQ

The Downtown Development Authority (the "Authority") incurred a liability of \$130,000 payable to the Michigan Department of Environmental Quality in a prior year for a lien on property that was purchased by the Authority in a prior year. At June 30, 2019, the remaining balance payable to the MDEQ was \$111,429. Payments to the MDEQ are payable over seven years with no interest in an amount of approximately \$18,571 per year. Payments commenced during the year ended June 30, 2019 and are due annually through June 30, 2025.

June 30, 2019

Note 7 - Long-term Debt

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

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
Volvo Loader capital lease							
Maturing through 2020	2.73%	\$32,802	\$ 64,322	\$ -	\$ (31,923)	\$ 32,399	\$ 32,802
John Deere capital lease							
Maturing through 2021	3.75%	\$31,054	-	107,176	(45,068)	62,108	31,268
Total direct borrowings and direct placements principal outstanding							
			64,322	107,176	(76,991)	94,507	64,070
Other debt:							
2010 Capital Improvement Bonds:							
Amount of issue - \$365,000							
Maturing through 2030	2.75% - 4.50%	\$19,500 - \$32,500	294,897	-	(19,665)	275,232	19,500
2019 Capital Improvement Bonds:							
Amount of issue - \$2,545,000							
Maturing through 2029	1.75% - 2.90%	\$235,000 - \$280,000	-	2,545,000	-	2,545,000	235,000
Total other debt principal outstanding							
			294,897	2,545,000	(19,665)	2,820,232	254,500
Total bonds and contracts payable							
			359,219	2,652,176	(96,656)	2,914,739	318,570
Compensated absences							
			387,193	42,963	-	430,156	280,414
Total governmental activities long-term debt							
			\$ 746,412	\$ 2,695,139	\$ (96,656)	\$ 3,344,895	\$ 598,984

June 30, 2019

Note 7 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2009 Drinking Water Revolving Fund loan:							
Amount of issue - \$1,301,602		\$80,000 - \$100,000	\$ 965,000	\$ -	\$ (75,000)	\$ 890,000	\$ 80,000
Maturing through 2029	2.50%						
2001 Drinking Water Revolving Fund loan:							
Amount of issue - \$1,905,000		\$115,000 - \$120,000	460,000	-	(110,000)	350,000	115,000
Maturing through 2021	2.50%						
2002 Drinking Water Revolving Fund loan:							
Amount of issue - \$1,760,000		\$105,000 - \$110,000	425,000	-	(100,000)	325,000	105,000
Maturing through 2022	2.50%						
2015 State Revolving Fund:							
Amount of issue - \$10,735,000		\$354,593 - \$555,852	6,885,534	2,566,866	(425,000)	9,027,400	512,749
Maturing through 2037	2.50%						
Total direct borrowings and direct placements principal outstanding			8,735,534	2,566,866	(710,000)	10,592,400	812,749
Other debt:							
2010 Capital Improvement Bond:							
Amount of issue - \$810,000	2.75% - 4.50%	\$43,500 - \$72,500	650,428	-	(43,394)	607,034	43,500
Maturing through 2030							
Total bonds and contracts payable			9,385,962	2,566,866	(753,394)	11,199,434	856,249
Compensated absences			37,799	15,119	(30,238)	22,680	22,680
Total business-type activities long-term debt			<u>\$ 9,423,761</u>	<u>\$ 2,581,985</u>	<u>\$ (783,632)</u>	<u>\$ 11,222,114</u>	<u>\$ 878,929</u>

June 30, 2019

Note 7 - Long-term Debt (Continued)

Component Units

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Direct borrowings and direct placements:							
2018 MDEQ CMI Loan							
Amount of issue -		\$47,781 -					
\$586,835	1.50%	\$55,451	\$ -	\$ 462,114	\$ -	\$ 462,114	\$ -
Other debt:							
2010 Capital Improvement Bond:							
Amount of issue -							
\$225,000			179,250	-	(11,933)	167,317	12,000
2015 DDA Bonds Debt:							
Amount of issue -		\$67,000 -					
\$475,000		\$68,000	475,000	-	-	475,000	67,000
Maturing through 2025	4.70%						
Total other debt principal outstanding							
			654,250	-	(11,933)	642,317	79,000
Total component unit long-term debt							
			\$ 654,250	\$ 462,114	\$ (11,933)	\$ 1,104,431	\$ 79,000

General Obligation Bonds and Contracts

The Village issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements and installment purchase agreements are also general obligations of the Village.

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. The Village has pledged substantially all revenue of the Water Fund, net of operating expenses, to repay the 2001 and 2002 Water Supply Revenue Bonds. Proceeds from the bonds provided financing for the construction of the water supply system improvements.

The bonds are payable solely from the net revenue of the water system. The remaining principal and interest to be paid on the bonds total \$704,625. The remaining principal and interest to be paid on the drinking water revolving fund loan total \$1,016,750. During the current year, net revenue of the system was \$1,471,176, compared to annual debt requirements of \$337,688.

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Total interest expense for the year was approximately \$329,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 64,070	\$ 2,696	\$ 254,500	\$ 66,183	\$ 387,449
2021	30,437	1,801	254,500	64,864	351,602
2022	-	-	259,500	59,731	319,231
2023	-	-	264,500	54,261	318,761
2024	-	-	269,500	48,449	317,949
2025-2029	-	-	1,483,000	134,561	1,617,561
2030-2034	-	-	34,732	729	35,461
2035-2039	-	-	-	-	-
Total	\$ 94,507	\$ 4,497	\$ 2,820,232	\$ 428,778	\$ 3,348,014

Years Ending June 30	Business-type Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ 812,749	\$ 94,847	\$ 43,500	\$ 25,165	\$ 976,261
2021	659,593	245,503	43,500	23,425	972,021
2022	678,560	228,849	43,500	21,674	972,583
2023	457,754	213,280	43,500	19,912	734,446
2024	472,180	201,728	43,500	18,150	735,558
2025-2029	2,530,855	824,565	319,000	53,636	3,728,056
2030-2034	2,334,906	514,594	70,534	1,631	2,921,665
2035-2039	2,645,803	204,043	-	-	2,849,846
Total	\$ 10,592,400	\$ 2,527,409	\$ 607,034	\$ 163,593	\$ 13,890,436

Years Ending June 30	Component Unit Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2020	\$ -	\$ -	\$ 79,000	\$ 27,693	\$ 106,693
2021	-	-	80,000	24,040	104,040
2022	55,451	-	80,000	20,361	155,812
2023	49,637	6,084	80,000	16,679	152,400
2024	50,055	5,396	80,000	12,997	148,448
2025-2029	261,846	15,411	224,000	21,188	522,445
2030-2034	45,125	686	19,317	450	65,578
2035-2039	-	-	-	-	-
Total	\$ 462,114	\$ 27,577	\$ 642,317	\$ 123,408	\$ 1,255,416

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 participates in the Michigan Municipal League Risk pool for all claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

The MERS of Michigan plan covers general employees, nonunion employees, and police employees who were hired prior to various plan closing dates.

Retirement benefits for department head employees are calculated as 2.25 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 55 with 25 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for police employees are calculated as 2.50 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 55 with 15 years of service. The vesting period is 10 years. Employees are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for nonunion employees are calculated as 2.00 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60, with early retirement at 55 with 15 years of service. The vesting period is eight years. Employees are eligible for nonduty disability benefits after eight years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

June 30, 2019

Note 9 - Defined Benefit Pension Plan (Continued)

Retirement benefits for patrol dispatch and command after May 1, 2012 are calculated as 1.50 percent multiplier. Normal retirement age is 60, with early retirement at 55 with 25 years of service. The vesting period is six years. Employees are eligible for nonduty disability benefits after six years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date limited to increases in the Consumer Price Index.

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

Employees Covered by Benefit Terms

At the December 31, 2018 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	28
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	21
Total employees covered by MERS of Michigan	59

Contributions

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

For the measurement year ended December 31, 2018, the average active employee contribution rate was 4.3 percent of annual pay, and the Village's average contribution rate was 33.7 of annual payroll.

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.

Note 9 - Defined Benefit Pension Plan (Continued)

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 14,502,167	\$ 11,586,815	\$ 2,915,352
Changes for the year:			
Service cost	186,785	-	186,785
Interest	1,134,506	-	1,134,506
Differences between expected and actual experience	182,036	-	182,036
Contributions - Employer	-	537,134	(537,134)
Contributions - Employee	-	68,279	(68,279)
Net investment loss	-	(452,762)	452,762
Benefit payments, including refunds	(828,459)	(828,459)	-
Administrative expenses	-	(22,474)	22,474
Net changes	674,868	(698,282)	1,373,150
Balance at December 31, 2018	<u>\$ 15,177,035</u>	<u>\$ 10,888,533</u>	<u>\$ 4,288,502</u>

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 \$861,987.

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	\$ 184,981	\$ (45,766)
Net difference between projected and actual earnings on pension plan investments	816,612	-
Employer contributions to the plan subsequent to the measurement date	267,910	-
Total	<u>\$ 1,269,503</u>	<u>\$ (45,766)</u>

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	\$ 307,294
2021	165,978
2022	208,580
2023	273,975
Total	<u>\$ 955,827</u>

June 30, 2019

Note 9 - Defined Benefit Pension Plan (Continued)

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 a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases) of 3.75 percent; an investment rate of return (net of investment expenses) of 8.0 percent; and the RP-2014 Healthy Annuitant mortality table, RP 2014 Employee mortality table, and RP-2014 Juvenile mortality table.

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 2009-2013.

Discount Rate

The discount rate used to measure the total pension liability was 8.0 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.

Projected Cash Flows

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

Investment Rate of Return

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

The target allocation and best estimates of arithmetic real rates of return as of December 31, 2018, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	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 8.00 percent, as well as what the Village’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the Village	\$ 6,183,898	\$ 4,288,502	\$ 2,706,989

Note 9 - Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

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

Note 10 - Defined Contribution Pension Plan

The Village provides pension benefits to nearly all of its nonunion and Department of Public Works employees through various defined contribution plans. The plans are named The Village of Milford, Michigan 107670, 107457, 106030, 110136, 110157, or 108649 and are administered by MERS of Michigan and ICMA, depending on the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Village Council, the Village contributes 7 percent of nonunion employees' gross earnings and nonunion employees contribute 3 percent of earnings. The Village also contributes a range of 7 percent to 10 percent of the Department of Public Works employees' gross earnings, and those employees do not contribute to the plan. In accordance with these requirements, the Village contributed \$154,978, and employees contributed \$52,243 during the current year.

Note 11 - Other Postemployment Benefit Plan

Plan Description

The Village provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the plan, a single-employer plan administered by the Village.

Benefits Provided

The plan provides retiree healthcare benefits for all full-time employees upon retirement, in accordance with labor contracts. Currently, 18 retirees are eligible for a monthly stipend.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

Date of member count	June 30, 2019
Inactive plan members or beneficiaries currently receiving benefits	18
Active plan members	<u>33</u>
Total plan members	<u><u>51</u></u>

Contributions

The collective bargaining agreements require the payment of a monthly stipend, which ranges from \$345 to \$625 per month for all participants. The Village has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). For the fiscal year ended June 30, 2019, the Village made payments for postemployment health benefit premiums of \$73,825.

Note 11 - Other Postemployment Benefit Plan (Continued)

Net OPEB Asset

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 asset and the OPEB net position as of the June 30, 2019 measurement date. The June 30, 2019 measurement date total OPEB asset was determined by an actuarial valuation performed as of that date.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2018	\$ 1,430,258	\$ 1,600,974	\$ (170,716)
Changes for the year:			
Service cost	9,165	-	9,165
Interest	97,099	-	97,099
Differences between expected and actual experience	(9,178)	-	(9,178)
Changes in assumptions	(109,556)	-	(109,556)
Contributions - Employer	-	73,825	(73,825)
Net investment income	-	47,165	(47,165)
Benefit payments, including refunds	(73,825)	(73,825)	-
Administrative expenses	-	(3,136)	3,136
Net changes	(86,295)	44,029	(130,324)
Balance at June 30, 2019	<u>\$ 1,343,963</u>	<u>\$ 1,645,003</u>	<u>\$ (301,040)</u>

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 \$(4,524).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (8,207)
Changes in assumptions	-	(97,963)
Net difference between projected and actual earnings on OPEB plan investments	44,753	-
Total	<u>\$ 44,753</u>	<u>\$ (106,170)</u>

Note 11 - Other Postemployment Benefit Plan (Continued)

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

Years Ending June 30	Amount
2020	\$ (2,361)
2021	(1,966)
2022	(1,966)
2023	394
2024	(12,564)
Thereafter	<u>(42,954)</u>
Total	<u>\$ (61,417)</u>

Actuarial Assumptions

The total OPEB asset in the June 30, 2019 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.5 percent; and an investment rate of return (net of investment expenses) of 7 percent, using the RP-2014 mortality tables. The Village provides an HRA, which consists of a flat rate and is not expected to fluctuate. Therefore, the healthcare cost trend rate is assumed at 0. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB asset was 7 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.

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 asset.

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 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
Private assets	26.00	6.15

June 30, 2019

Note 11 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB asset of the Village, calculated using the discount rate of 7.00 percent, as well as what the Village's net OPEB asset 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 (6.00%)	Current Discount Rate (7.00%)	1 Percent Increase (8.00%)
Net OPEB asset of the plan	\$ 156,000	\$ 301,040	\$ 424,000

Note 12 - Contingent Liabilities

Pursuant to a settlement agreement executed between the Village of Milford, Michigan; Milford Township; and CSX Transportation (the "railroad company"), and after discussions with the Michigan Department of Environmental Quality, the Village, Milford Township, and the railroad company jointly submitted a proposed response activity plan and administrative consent order in order to fully resolve their liability to the State of Michigan for a contaminated landfill site. The Village, Milford Township, and the railroad company agreed to share costs associated with the performance of response activities, including the extension of a municipal waterline to service residences located hydraulically downgradient of the landfill. The Village is responsible for 42.5 percent of the cost of remediation.

The extension to the waterline was completed as of June 30, 2010 and was funded by the Village's 2009 Drinking Water Revolving Fund loan (see Note 7).

At this time, the response activity plan and administrative consent order have been submitted and fully approved by MDEQ. The Village has recorded a contingent liability of \$200,000 in the government-wide statements. The Village calculated this liability using an expected cash flow technique.

Note 13 - Fund Balance of the Police Fund

As of June 30, 2019, the Police Fund has restricted fund balance of \$3,540,598. Of that amount, \$1,958,750 and \$1,349,719 have been earmarked for operating expenditures for the fiscal year 2019-2020 and for unfunded liabilities related to pension, respectively.

At June 30, 2019, the Police Fund has fund balance totaling \$3,540,598. The components are as follows:

Restricted but earmarked:	
2020 operations	\$ 1,958,750
Unfunded pension liability	1,349,719
Discretionary police enforcement	<u>232,129</u>
Total	<u>\$ 3,540,598</u>

Required Supplemental Information

Village of Milford, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 794,000	\$ 794,000	\$ 792,561	\$ (1,439)
Intergovernmental:				
Federal grants	14,115	14,115	18,945	4,830
State sources	553,620	553,620	625,843	72,223
Charges for services to external parties	151,500	151,500	139,949	(11,551)
Fines and forfeitures	12,500	12,500	11,194	(1,306)
Fees:				
Cable franchise fees	138,000	138,000	133,905	(4,095)
Licenses and permits	175,000	175,000	126,503	(48,497)
Investment income	23,500	23,500	39,424	15,924
Other revenue - Other miscellaneous income	120,850	120,850	107,166	(13,684)
Total revenue	1,983,085	1,983,085	1,995,490	12,405
Expenditures				
Current services:				
General government	737,950	706,360	652,817	53,543
Public safety	173,291	202,291	188,585	13,706
Public works	977,264	1,088,264	999,662	88,602
Debt service	31,780	110,545	110,561	(16)
Total expenditures	1,920,285	2,107,460	1,951,625	155,835
Excess of Revenue Over (Under) Expenditures	62,800	(124,375)	43,865	168,240
Other Financing (Uses) Sources				
Transfers out	(62,800)	(62,800)	(56,550)	6,250
Capital leases	-	107,175	107,176	1
Total other financing (uses) sources	(62,800)	44,375	50,626	6,251
Net Change in Fund Balance	-	(80,000)	94,491	174,491
Fund Balance - Beginning of year	1,145,764	1,145,764	1,145,764	-
Fund Balance - End of year	<u>\$ 1,145,764</u>	<u>\$ 1,065,764</u>	<u>\$ 1,240,255</u>	<u>\$ 174,491</u>

Village of Milford, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Police Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 138,000	\$ 138,000	\$ 76,175	\$ (61,825)
Charges for services	3,562,000	3,562,000	3,587,596	25,596
Investment income	6,750	6,750	53,188	46,438
Other revenue	30,600	30,600	31,973	1,373
Total revenue	3,737,350	3,737,350	3,748,932	11,582
Expenditures				
Current services - Public safety	3,718,850	3,718,850	3,490,006	228,844
Capital outlay	18,500	18,500	19,385	(885)
Total expenditures	3,737,350	3,737,350	3,509,391	227,959
Net Change in Fund Balance	-	-	239,541	239,541
Fund Balance - Beginning of year	3,301,057	3,301,057	3,301,057	-
Fund Balance - End of year	<u>\$ 3,301,057</u>	<u>\$ 3,301,057</u>	<u>\$ 3,540,598</u>	<u>\$ 239,541</u>

Village of Milford, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Fund (Continued)
 Municipal Street Fund

Year Ended June 30, 2019

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 794,000	\$ 794,000	\$ 793,432	\$ (568)
Intergovernmental	-	-	6,148	6,148
Investment income	6,500	6,500	40,937	34,437
Other revenue - Other miscellaneous income	4,900	4,900	4,856	(44)
Total revenue	805,400	805,400	845,373	39,973
Expenditures - Current - Public works	786,600	450,000	373,246	76,754
Excess of Revenue Over Expenditures	18,800	355,400	472,127	116,727
Other Financing (Uses) Sources				
Transfers out	(18,800)	(18,800)	(18,800)	-
New debt issued	-	2,545,000	2,545,000	-
Total other financing (uses) sources	(18,800)	2,526,200	2,526,200	-
Net Change in Fund Balance	-	2,881,600	2,998,327	116,727
Fund Balance - Beginning of year	232,049	232,049	232,049	-
Fund Balance - End of year	\$ 232,049	\$ 3,113,649	\$ 3,230,376	\$ 116,727

Village of Milford, Michigan

Required Supplemental Information Schedule of Village Pension Contributions

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially required contribution	\$ 539,216	\$ 535,095	\$ 435,754	\$ 426,531	\$ 394,285	\$ 398,800	\$ 333,352	\$ 328,839	\$ 324,591	\$ 329,400
Contributions in relation to the actuarially determined contribution	539,216	535,095	435,754	626,531	748,478	798,800	435,252	728,839	324,591	329,400
Contribution Excess	\$ -	\$ -	\$ -	\$ 200,000	\$ 354,193	\$ 400,000	\$ 101,900	\$ 400,000	\$ -	\$ -
Village's Covered Payroll	\$ 1,595,515	\$ 1,582,332	\$ 1,658,117	\$ 1,703,094	\$ 1,730,308	\$ 1,870,909	\$ 1,859,500	\$ 1,669,596	\$ 1,681,726	\$ 1,664,614
Contributions as a Percentage of Covered Payroll	33.80 %	33.82 %	26.28 %	36.79 %	43.26 %	42.70 %	23.41 %	43.65 %	19.30 %	19.79 %

Notes to Schedule of Village Pension 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.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	Five-year smoothed
Inflation	2.5 percent
Salary increase	3.75 percent
Investment rate of return	8.00 percent - Gross of pension plan investment expense, including inflation
Retirement age	60
Mortality	50 percent female/50 percent male RP-2014 Health Annuity Mortality Table (rates multiplied by 105 percent), RP-2014 Employee Mortality Table, and RP-2014 Juvenile Mortality Table. For disabled retirees, RP-2014 Disabled Retiree Mortality Table, 50 percent male and 50 percent female blend.
Other information	None

Village of Milford, Michigan

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

Last Five Fiscal Years

	2019 (Measurement Date 12/31/18)	2018 (Measurement Date 12/31/17)	2017 (Measurement Date 12/31/16)	2016 (Measurement Date 12/31/15)	2015 (Measurement Date 12/31/14)
Total Pension Liability					
Service cost	\$ 186,785	\$ 188,093	\$ 197,345	\$ 203,672	\$ 226,020
Interest	1,134,506	1,089,487	1,063,780	999,635	954,422
Differences between expected and actual experience	182,036	96,908	(183,062)	17,709	-
Changes in assumptions	-	-	-	634,338	-
Benefit payments, including refunds	(828,459)	(793,697)	(710,495)	(632,995)	(609,472)
Net Change in Total Pension Liability	674,868	580,791	367,568	1,222,359	570,970
Total Pension Liability - Beginning of year	14,502,167	13,921,376	13,553,808	12,331,449	11,760,479
Total Pension Liability - End of year	\$ 15,177,035	\$ 14,502,167	\$ 13,921,376	\$ 13,553,808	\$ 12,331,449
Plan Fiduciary Net Position					
Contributions - Employer	\$ 537,134	\$ 485,335	\$ 628,973	\$ 762,140	\$ 397,005
Contributions - Member	68,279	68,895	70,801	77,541	77,485
Net investment (loss) income	(452,762)	1,381,417	1,085,896	(153,810)	567,005
Administrative expenses	(22,474)	(21,873)	(21,390)	(21,013)	(20,841)
Benefit payments, including refunds	(828,459)	(793,697)	(710,495)	(632,995)	(609,472)
Net Change in Plan Fiduciary Net Position	(698,282)	1,120,077	1,053,785	31,863	411,182
Plan Fiduciary Net Position - Beginning of year	11,586,815	10,466,738	9,412,953	9,381,090	8,969,908
Plan Fiduciary Net Position - End of year	\$ 10,888,533	\$ 11,586,815	\$ 10,466,738	\$ 9,412,953	\$ 9,381,090
Village's Net Pension Liability - Ending	\$ 4,288,502	\$ 2,915,352	\$ 3,454,638	\$ 4,140,855	\$ 2,950,359
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.74 %	79.90 %	75.18 %	69.45 %	76.07 %
Covered Payroll	\$ 1,595,515	\$ 1,582,332	\$ 1,658,117	\$ 1,703,094	\$ 1,730,308
Village's Net Pension Liability as a Percentage of Covered Payroll	268.78 %	184.24 %	208.35 %	243.14 %	170.51 %

* Schedule is being built prospectively from adoption of GASB 68.

Village of Milford, Michigan

Required Supplemental Information Schedule of Village OPEB Contributions

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 111,652	\$ 93,933	\$ 110,411	\$ 113,940	\$ 123,396	\$ 134,102	\$ 123,642
Contributions in relation to the actuarially determined contribution	73,825	65,596	55,550	370,600	294,360	217,600	201,050	125,915	95,650	86,345
Contribution Excess (Deficiency)	\$ 73,825	\$ 65,596	\$ 55,550	\$ 258,948	\$ 200,427	\$ 107,189	\$ 87,110	\$ 2,519	\$ (38,452)	\$ (37,297)

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal, based on level percentage of projected salary
Amortization method	Average remaining service of active and inactive plan members, closed
Remaining amortization period	8.45 years
Asset valuation method	Fair market value
Inflation	2.5 percent
Salary increase	2.0 percent
Investment rate of return	7.0 percent
Retirement age	70
Mortality	RP-2014 trended back to 2006 and projected generationally using Scale MP-2016, applied on a gender specific basis

Village of Milford, Michigan

Required Supplemental Information

Schedule of Changes in the Village Net OPEB Asset and Related Ratios

	Last Two Fiscal Years	
	2019	2018
Total OPEB Liability		
Service cost	\$ 9,165	\$ 9,165
Interest	97,099	94,812
Differences between expected and actual experience	(9,178)	-
Changes in assumptions	(109,556)	-
Benefit payments, including refunds	(73,825)	(65,596)
Net Change in Total OPEB Liability	(86,295)	38,381
Total OPEB Liability - Beginning of year	1,430,258	1,391,877
Total OPEB Liability - End of year	\$ 1,343,963	\$ 1,430,258
Plan Fiduciary Net Position		
Contributions - Employer	\$ 73,825	\$ 65,596
Net investment income	47,165	115,895
Administrative expenses	(3,136)	(3,900)
Benefit payments, including refunds	(73,825)	(65,596)
Net Change in Plan Fiduciary Net Position	44,029	111,995
Plan Fiduciary Net Position - Beginning of year	1,600,974	1,488,979
Plan Fiduciary Net Position - End of year	\$ 1,645,003	\$ 1,600,974
Net OPEB Asset - Ending	\$ (301,040)	\$ (170,716)
Plan Fiduciary Net Position as a Percentage of Total OPEB Asset	122.40 %	111.94 %
Covered Employee Payroll	\$ 2,331,220	\$ 2,901,000
Net OPEB Asset as a Percentage of Covered Employee Payroll	(12.91)%	(5.88)%

* Schedule is being built prospectively from adoption of GASB 75.

Budgetary Information

The annual budgets are prepared by the village manager and adopted by the Village Council; subsequent amendments are approved by the Village Council. Unexpected 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 budgets for the General Fund and special revenue funds have been prepared in accordance with accounting principles generally accepted in the United States of America.

The budgets have been adopted on a fund-level basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budgets of the General Fund, Police Fund, and Municipal Street Fund, at the activity level, is included in the required supplemental information of the basic financial statements. The budget comparison shown for the General Fund, Police Fund, and Municipal Street Fund is more detailed than the General Appropriations Act. Information in this schedule is presented for the purpose of additional analysis. A comparison of the actual results of operations to the nonmajor special revenue funds budgets, as adopted by the Village Council, is available at the village offices for inspection.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is below. This reconciliation illustrates the effects of GASB Statement No. 54 on the General Fund, as funds that were previously considered to be special revenue funds are now included in the General Fund on the fund-based statements.

	<u>Total Revenue</u>	<u>Total</u> <u>Expenditures</u>	<u>Transfers Out</u>
General Fund:			
Amounts per operating statement	\$ 2,069,103	\$ 1,998,807	\$ 33,750
Parking Fund	(72,688)	(28,552)	-
Retiree Health Care Fund	(925)	(18,630)	22,800
Amounts per budget statement	<u>\$ 1,995,490</u>	<u>\$ 1,951,625</u>	<u>\$ 56,550</u>

Excess of expenditures over appropriations in budgeted funds - During the year, the Village of Milford, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Debt service	\$ 110,545	\$ 110,561	\$ (16)
Police Fund - Capital outlay	18,500	19,385	(885)

Other Supplemental Information

Village of Milford, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Drug Law Enforcement	Senior Van	Refuse
Assets					
Cash and cash equivalents	\$ 271,910	\$ 323,844	\$ 4,127	\$ 16,989	\$ 266,376
Receivables:					
Customer	-	-	-	-	-
Accrued interest	1,022	1,213	-	-	1,155
Other	-	-	-	6,272	-
Due from other governments	72,696	29,344	-	-	-
Prepaid expenses and other assets	15,362	15,362	-	-	-
Total assets	\$ 360,990	\$ 369,763	\$ 4,127	\$ 23,261	\$ 267,531
Liabilities - Accounts payable	\$ 15,186	\$ 13,958	\$ -	\$ 858	\$ 2,198
Fund Balances					
Nonspendable	15,362	15,362	-	-	-
Restricted:					
Roads	330,442	340,443	-	-	-
Drug law enforcement	-	-	4,127	-	-
Senior van	-	-	-	22,403	-
Refuse	-	-	-	-	265,333
Assigned - Capital projects	-	-	-	-	-
Total fund balances	345,804	355,805	4,127	22,403	265,333
Total liabilities and fund balances	\$ 360,990	\$ 369,763	\$ 4,127	\$ 23,261	\$ 267,531

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2019

<u>Capital Project Funds</u>		
<u>Capital Projects</u>	<u>Sidewalks</u>	<u>Total</u>
\$ 15,090	\$ 30,256	\$ 928,592
-	1,662	1,662
-	-	3,390
-	-	6,272
-	-	102,040
-	-	30,724
\$ 15,090	\$ 31,918	\$ 1,072,680
\$ -	\$ -	\$ 32,200
-	-	30,724
-	-	670,885
-	-	4,127
-	-	22,403
-	-	265,333
15,090	31,918	47,008
15,090	31,918	1,040,480
\$ 15,090	\$ 31,918	\$ 1,072,680

Village of Milford, Michigan

	Special Revenue Funds				
	Major Streets	Local Streets	Drug Law Enforcement	Senior Van	Refuse
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 463,581
Intergovernmental:					
Federal grants	-	-	-	-	-
State sources:					
State-shared revenue	417,710	188,255	-	5,735	1,689
Other state grants	-	68,874	-	-	-
Investment income - Other miscellaneous income	-	5,003	-	-	8,444
Other revenue - Other miscellaneous income	5,664	23,103	-	-	4,615
Total revenue	423,374	285,235	-	5,735	478,329
Expenditures					
Current services:					
Public safety	-	-	24,656	-	-
Public works	333,666	305,431	-	-	489,711
Community and economic development	-	-	-	5,735	-
Total expenditures	333,666	305,431	24,656	5,735	489,711
Excess of Revenue Over (Under) Expenditures	89,708	(20,196)	(24,656)	-	(11,382)
Other Financing Sources (Uses)					
Transfers in	-	67,550	-	-	-
Transfers out	(30,000)	-	-	-	-
Total other financing (uses) sources	(30,000)	67,550	-	-	-
Net Change in Fund Balances	59,708	47,354	(24,656)	-	(11,382)
Fund Balances - Beginning of year	286,096	308,451	28,783	22,403	276,715
Fund Balances - End of year	\$ 345,804	\$ 355,805	\$ 4,127	\$ 22,403	\$ 265,333

Other Supplemental Information

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

Nonmajor Governmental Funds

Year Ended June 30, 2019

Capital Project Funds		
Capital Projects	Sidewalks	Total
\$ -	\$ -	\$ 463,581
-	12,194	12,194
-	-	613,389
-	-	68,874
-	-	13,447
-	-	33,382
-	12,194	1,204,867
-	-	24,656
-	27,668	1,156,476
-	-	5,735
-	27,668	1,186,867
-	(15,474)	18,000
-	15,000	82,550
-	-	(30,000)
-	15,000	52,550
-	(474)	70,550
15,090	32,392	969,930
\$ 15,090	\$ 31,918	\$ 1,040,480