

# VILLAGE OF PINCKNEY

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## FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

# **VILLAGE OF PINCKNEY**

## **OFFICIALS**

President - Linda Lavey  
Treasurer / Zoning Administrator - Michelle Brunner  
Clerk - Jill Chapman

## **VILLAGE COUNCIL**

Rebecca Foster  
Eirik Kauserud  
Ted Kinczkowski  
Linda Lavey  
Brian Matson  
Shawn Tibus  
Robert Vedder

## **VILLAGE AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT**

October 28, 2019

To the Village Council  
Village of Pinckney  
220 South Howell St.  
Pinckney, MI 48169

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Pinckney, Michigan as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Pinckney, Michigan, as of June 30, 2019, and the respective changes in 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and schedules of pension and other post-employment benefit funding progress on pages 8-15 and 61-68 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, who 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Pinckney, Michigan's basic financial statements. The combining individual, nonmajor and component unit fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining individual, nonmajor fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Pfeffer, Hanniford & Palka, P.C.*

PFEFFER, HANNIFORD & PALKA  
Certified Public Accountants

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**Management Discussion and Analysis**  
**June 30, 2019**

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Within this section of the Village of Pinckney's annual financial report, the Village's management is providing a narrative discussion and analysis of the financial activities of the Village for the year ended June 30, 2019. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Village's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

**Financial Highlights**

The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$14,772,470 (net position). Of this amount, \$5,294,541 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$520,204.

As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$2,927,708, an increase of \$415,472 in comparison with the prior year. The combined ending fund balance consists of non-spendable items (2.2%), restricted amounts (51.8%), committed amounts per Village Council (4.0%), assigned amounts (6.4%), and unassigned fund balance of \$1,041,420 (35.6%) which is available for spending at the government's discretion.

The Village of Pinckney's total long-term obligations decreased by \$66,921 during the current year, as a result of annual principle payments of \$67,493, less an increase in compensated absences of \$572.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Village of Pinckney's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. The Village also includes in this report additional information to supplement the basic financial statements.

***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to private sector business. The Village's annual reports include two government-wide financial statements (Statement of Net Position and Statement of Activities). Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position presents information on all of the Village's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village as a whole is improving or deteriorating. Evaluation of the overall health of the Village may extend to various non-financial factors as well.



The Statement of Activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. The design of this statement is to show the financial reliance of the Village's distinct activities or functions on the revenues generated by the Village.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include such activities as general government, public works (including major and local streets), public safety, and cemetery. Business-type activities include water and sewer system operations. Fiduciary activities such as site plan review deposits are not included in the government-wide statements since these assets are not available to fund Village programs.

The government-wide financial statements include not only the Village (primary government), but also a legally separate entity, the Downtown Development Authority, which is a discretely presented component unit of the Village. Financial information for the component unit is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 18 - 19 of this report.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the basic financial statements, fund financial statements focus on the Village's most significant funds rather than the Village as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental funds*** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's annual and near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found on pages 21 - 26 of this report.

**Proprietary funds** are used to account for operations for which the Village charges its customers for the services they are provided. Enterprise funds, the first type, are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village of Pinckney uses enterprise funds to account for its sewage disposal system and water operations. Internal Service funds are the second type of proprietary funds, and are used to account for services provided internally. The Village of Pinckney does not have any Internal Service funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water Funds, both of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 27 - 29.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 30 of this report.

### ***Notes to the financial statements***

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements. They should be read thoroughly as part of any review of the Village's financial statements. The notes can be found on pages 32 - 59 of this report.

### ***Other information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Major funds are reported in the basic financial statements as discussed. Combining statements and schedules for nonmajor funds can be found on pages 71 - 72 of this report. Fund financial statements of component unit (DDA) can be found on pages 75 - 76.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Village's net position at the end of the fiscal period was \$14,772,470. This is a \$520,204 increase over the net position of \$14,252,266 reported for the year ended June 30, 2018. A significant portion of the Village's net position, \$7,934,649 (53.7%), represents investment in capital assets (e.g. land, buildings, equipment and infrastructure), less any related debt that is still outstanding used to acquire those assets. These assets are used by the Village of Pinckney to provide public services to its citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Village's net position, \$1,543,280 (10.4%), represents resources that are subject to external restrictions on how they may be used both for the Village as a whole, as well as for its separate governmental and business-type activities. The remaining balance of unrestricted net position \$5,294,541 (35.9%) may be used to meet the Village's ongoing obligations to citizens and creditors.

The following tables provide a summary of the Village's financial activities, fiscal year end net position and changes in net position for the fiscal year:

**Summary of Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2018</b>
<b>ASSETS</b>						
Current and other assets	\$ 3,031,280	\$ 2,566,657	\$ 4,677,603	\$ 3,947,915	\$ 7,708,883	\$ 6,514,572
Capital assets	2,619,467	2,686,177	6,549,095	6,414,961	9,168,562	9,101,138
<b>Total assets</b>	<b>5,650,747</b>	<b>5,252,834</b>	<b>11,226,698</b>	<b>10,362,876</b>	<b>16,877,445</b>	<b>15,615,710</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	<b>222,239</b>	<b>75,765</b>	<b>47,943</b>	<b>16,344</b>	<b>270,182</b>	<b>92,109</b>
<b>LIABILITIES</b>						
Other liabilities	745,818	489,161	914,997	174,129	1,660,815	663,290
Long-term liabilities	414,976	474,903	267,010	282,010	681,986	756,913
<b>Total liabilities</b>	<b>1,160,794</b>	<b>964,064</b>	<b>1,182,007</b>	<b>456,139</b>	<b>2,342,801</b>	<b>1,420,203</b>
<b>DEFERRED INFLOW OF RESOURCES</b>	<b>32,356</b>	<b>35,350</b>			<b>32,356</b>	<b>35,350</b>
<b>NET POSITION</b>						
Invested in capital assets, net of related debt	2,144,564	2,143,781	5,790,085	6,117,951	7,934,649	8,261,732
Restricted	1,515,205	1,166,262	28,075	45,971	1,543,280	1,212,233
Unrestricted	1,020,067	1,019,142	4,274,474	3,759,159	5,294,541	4,778,301
<b>Total net position</b>	<b>\$ 4,679,836</b>	<b>\$ 4,329,185</b>	<b>\$ 10,092,634</b>	<b>\$ 9,923,081</b>	<b>\$ 14,772,470</b>	<b>\$ 14,252,266</b>

**Summary of Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2018</b>
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 269,356	\$ 251,390	\$ 830,647	\$ 647,599	\$ 1,100,003	\$ 898,989
Operating grants and contributions	46,455	1,256	94,090	3,894	140,545	5,150
Capital grants and contributions	50	5,611			50	5,611
General revenues:						
Property taxes	875,676	850,628			875,676	850,628
State shared revenues	476,216	442,272			476,216	442,272
Interest income	25,787	16,238	51,849	34,097	77,636	50,335
Other	188,671	194,422	11,791	15,830	200,462	210,252
Gain (loss) from disposal of capital assets	(5,715)	6,983		7,318	(5,715)	14,301
<b>Total revenues</b>	<b>1,876,496</b>	<b>1,768,800</b>	<b>988,377</b>	<b>708,738</b>	<b>2,864,873</b>	<b>2,477,538</b>
<b>EXPENSES</b>						
General government	315,153	299,197			315,153	299,197
Public safety	523,850	502,936			523,850	502,936
Public works	654,181	650,973			654,181	650,973
Cemetery	18,399	14,118			18,399	14,118
Recreation and culture	500	500			500	500
Interest on long-term debt	13,762	15,470			13,762	15,470
Water system			304,714	295,495	304,714	295,495
Sewer system			514,110	411,968	514,110	411,968
<b>Total expenses</b>	<b>1,525,845</b>	<b>1,483,194</b>	<b>818,824</b>	<b>707,463</b>	<b>2,344,669</b>	<b>2,190,657</b>
<b>Change in net position</b>	<b>350,651</b>	<b>285,606</b>	<b>169,553</b>	<b>1,275</b>	<b>520,204</b>	<b>286,881</b>
<b>Beginning net position</b>	<b>4,329,185</b>	<b>4,043,579</b>	<b>9,923,081</b>	<b>9,921,806</b>	<b>14,252,266</b>	<b>13,965,385</b>
<b>Ending net position</b>	<b>\$ 4,679,836</b>	<b>\$ 4,329,185</b>	<b>\$ 10,092,634</b>	<b>\$ 9,923,081</b>	<b>\$ 14,772,470</b>	<b>\$ 14,252,266</b>

Governmental activities increased the Village's net position by \$350,651. The \$350,651 increase is primarily due to a decrease in road expenditures, higher property tax revenues, and higher State Shared revenues. Business-type activities increased the Village's net position by \$169,553.

#### **Financial Analysis of the Village's Major Funds**

The Village's General Fund had revenues over expenditures, before other financing sources (uses), totaling \$41,978 this year. This is primarily due to lower capital outlay expenditures for public works activities.

The Village has three other major funds which are the General Highway Fund, Major Street Fund and Local Street Fund.

The General Highway Fund had revenues over expenditures, before other financing sources (uses), totaling \$227,722. This was primarily due to efficient management of road expenditures.

The Major Street Fund had revenues over expenditures, before other financing sources (uses), totaling \$160,501. This was due to Public Act 207 of 2018 that provided additional funds statewide for transportation projects and pending road projects slated for July 2019.

The Local Street Fund had expenditures over revenues, before other financing sources (uses), totaling \$30,851. This was due to the ongoing Portage Street improvements and the ongoing Mann Street construction project planning, both of which began near the end of the prior fiscal year.

The Village's two major proprietary funds, Sewage Disposal System Fund and Village Water Fund, had an aggregated increase in net position of \$169,553. The net position of the Sewer Fund increased by \$122,411, primarily due to favorable charges for services. The net position of the Water Fund increased by \$47,142, primarily due to low tap fee revenue and high depreciation. The unrestricted net position of the combined proprietary funds at the end of the year amounted to \$4,274,474, restricted assets amounted to \$28,075, and capital assets net of related debt amounted to \$5,790,085.

#### **General Fund Budgetary Highlights**

The General Fund budget was adopted prior to the fiscal year in accordance with Public Act 493 of 2000. Total actual expenditures did not materially exceed budgeted appropriations for all major funds during the year. The budget was amended during the year to account for various differences between budget and actual.

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

##### **Capital Assets**

The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounted to \$9,168,562 (net of accumulated depreciation). This investment in capital assets includes land, roads, buildings and improvements, machinery and equipment, and sewer and water infrastructure. Major capital asset events during the current fiscal year included the following:

- Completion of the Portage Street reconstruction project
- Continuation of Mann Street construction project
- Continuation of a pump station and force main replacement and screening building in the Sewage Disposal System
- Purchase of two vehicles for public safety activities (indemnity was received for one vehicle)
- Purchase of an in-car video system for public safety activities through a funded grant
- Purchase of a mower for the DPW
- Purchase of a camera system for the Sewer Disposal System

The following table summarizes the capital assets for the Village as of year-end:

**Capital Assets as of June 30, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land	\$ 48,285	\$ 99,797	\$ 148,082
Construction in progress	92,287	747,773	840,060
Buildings and improvements	361,281	291,570	652,851
Machinery and equipment	744,056	647,231	1,391,287
Road infrastructure	3,214,977		3,214,977
Sewer infrastructure		7,038,985	7,038,985
Water infrastructure		4,628,346	4,628,346
Vehicles		58,091	58,091
<b>Subtotal</b>	<u>4,460,886</u>	<u>13,511,793</u>	<u>17,972,679</u>
Accumulated depreciation	<u>(1,841,419)</u>	<u>(6,962,698)</u>	<u>(8,804,117)</u>
<b>Net capital assets</b>	<u>\$ 2,619,467</u>	<u>\$ 6,549,095</u>	<u>\$ 9,168,562</u>

Additional information on the Village's capital assets can be found in the Notes to Financial Statements section of this report.

**Long-term Debt**

At the end of the current fiscal year, the Village had total bonded debt and lease payables of \$1,233,913. The Village's total debt (excluding compensated absences) decreased by \$82,493, which consisted of repayments on existing debt. Business-type activities issued new debt of \$477,000 and repaid \$15,000 on existing debt.

Additional information on the Village's long-term debt can be found in the Notes to Financial Statements section of this report.

### **Economic Conditions and Future Activities**

The following factors were considered in preparing the Village's budget for the 2019-20 fiscal year:

- The labor agreement with the Michigan Association of Police contains annual contractual rate increases that the Village must pay. The current contract runs from January 1, 2016 through June 30, 2019. A new contract is currently being negotiated.
- The Village is anticipating property tax revenue for its General Fund to show a modest increase for the next fiscal year. Real property values have begun to rise, but another Headlee rollback in 2018 has reduced the millage rate from 8.3897 mils to 8.3175 mils. The General Highway millage is 4.0000 mils. The total millage rate is 12.3175 mils for 2019-20.
- A local road project to reconstruct Portage Street began in late June 2017. The project will cost approximately \$454,140. The Village is anticipating a slight increase in Act 51 road funding. The maximum allowable transfer from Major Streets to Local Streets combined with funds transferred from the General Highway Fund will pay for this project.
- The Village is in the construction stages of a major waste water improvement project. The project includes the construction of a screening building to remove excessive inorganic material flowing into the aeration ponds which is causing excessive maintenance problems. Another aspect of the project is to replace the antiquated cast iron force main and upgrade the pump stations involved. Debt financing in the form of a USDA-RD loan of \$2.9M will be used to pay for this project.

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

This financial report is designed to provide a general overview of the Village's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Village of Pinckney at 220 S. Howell Street, Pinckney, Michigan, 48169.

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT - WIDE FINANCIAL STATEMENTS**

VILLAGE OF PINCKNEY

STATEMENT OF NET POSITION  
JUNE 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash, cash equivalents and investments	\$ 2,767,662	\$ 4,313,705	\$ 7,081,367	\$ 104,564
Receivables:				
Accounts	122,967	306,740	429,707	
Other governments	77,658		77,658	
Taxes	268		268	
Accrued interest	754	1,939	2,693	7
Due from other funds	31,556	(31,556)		
Miscellaneous	13		13	
Prepaid expenses	30,402	6,120	36,522	
Inventory		40,027	40,027	
Restricted:				
Special assessments receivable		28,075	28,075	
Restricted cash		12,553	12,553	
Capital assets:				
Non-depreciable	140,572	847,570	988,142	96,665
Depreciable, net	2,478,895	5,701,525	8,180,420	381,734
<b>Total assets</b>	<u>5,650,747</u>	<u>11,226,698</u>	<u>16,877,445</u>	<u>582,970</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Pension asset, net	222,239	47,943	270,182	2,802
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	103,572	306,589	410,161	3,805
Long-term obligations:				
Compensated absences	12,135		12,135	
Current portion of long term debt	65,362	492,000	557,362	40,000
Net other post employment benefits obligation	25,134		25,134	
Net pension liability	539,615	116,408	656,023	6,804
Other due in more than one year	414,976	267,010	681,986	
<b>Total liabilities</b>	<u>1,160,794</u>	<u>1,182,007</u>	<u>2,342,801</u>	<u>50,609</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
OPEB liability, net	32,356		32,356	
<b>NET POSITION</b>				
Net investment in capital assets	2,144,564	5,790,085	7,934,649	438,399
Restricted	1,515,205	28,075	1,543,280	
Unrestricted	1,020,067	4,274,474	5,294,541	96,764
<b>Total net position</b>	<u>\$ 4,679,836</u>	<u>\$ 10,092,634</u>	<u>\$ 14,772,470</u>	<u>\$ 535,163</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Programs Revenues			Net (Expenses) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
<b>PRIMARY GOVERNMENT</b>								
<b>Governmental Activities</b>								
General government	\$ (315,153)	\$ 244,106	\$ 45,595	\$ 50	\$ (25,402)	\$	\$ (25,402)	\$
Public safety	(523,850)	300	860		(522,690)		(522,690)	
Public works	(654,181)				(654,181)		(654,181)	
Cemetery	(18,399)	24,950			6,551		6,551	
Recreation and culture	(500)				(500)		(500)	
Interest on long-term debt	(13,762)				(13,762)		(13,762)	
<b>Total governmental activities</b>	<b>(1,525,845)</b>	<b>269,356</b>	<b>46,455</b>	<b>50</b>	<b>(1,209,984)</b>		<b>(1,209,984)</b>	
<b>Business-type Activities</b>								
Water system	(304,714)	264,279	59,890			19,455	19,455	
Sewer system	(514,110)	566,368	34,200			86,458	86,458	
<b>Total business-type activities</b>	<b>(818,824)</b>	<b>830,647</b>	<b>94,090</b>			<b>105,913</b>	<b>105,913</b>	
<b>Total primary government</b>	<b>\$ (2,344,669)</b>	<b>\$ 1,100,003</b>	<b>\$ 140,545</b>	<b>\$ 50</b>	<b>(1,209,984)</b>	<b>105,913</b>	<b>(1,104,071)</b>	
<b>COMPONENT UNIT</b>								
Downtown Development Authority	\$ (98,089)	\$ 9,430	\$	\$				(88,659)
<b>General revenues:</b>								
Property taxes					875,676		875,676	134,451
State shared revenues					476,216		476,216	
Interest income					25,787	51,849	77,636	294
Rental income					91,142		91,142	
Gain/(loss) on sales of assets					(5,715)		(5,715)	
Other income					97,529	11,791	109,320	
<b>Total general revenues</b>					<b>1,560,635</b>	<b>63,640</b>	<b>1,624,275</b>	<b>134,745</b>
<b>Changes in net position</b>					<b>350,651</b>	<b>169,553</b>	<b>520,204</b>	<b>46,086</b>
<b>Net position, July 1, 2018</b>					<b>4,329,185</b>	<b>9,923,081</b>	<b>14,252,266</b>	<b>489,077</b>
<b>Net position, June 30, 2019</b>					<b>\$ 4,679,836</b>	<b>\$ 10,092,634</b>	<b>\$ 14,772,470</b>	<b>\$ 535,163</b>

The notes are an integral part of the financial statements.

**FUND FINANCIAL STATEMENTS**

VILLAGE OF PINCKNEY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Major Street Fund	Local Street Fund	General Highway Fund	Nonmajor Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,124,843	\$ 615,358	\$ 363,083	\$ 506,921	\$ 157,457	\$ 2,767,662
Receivables						
Services	122,000					122,000
Taxes	197			71		268
Intergovernmental	36,351	28,955	12,352			77,658
Miscellaneous					13	13
Due from other funds	32,523		99,365			131,888
Accrued interest receivable	254	259	48	156	37	754
Prepaid expenditures	28,802	383	730		487	30,402
<b>Total assets</b>	<b>\$ 1,344,970</b>	<b>\$ 644,955</b>	<b>\$ 475,578</b>	<b>\$ 507,148</b>	<b>\$ 157,994</b>	<b>\$ 3,130,645</b>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 87,879	\$ 1,495	\$ 8,007	\$ 5,025	\$ 1,166	\$ 103,572
Due to other funds		99,365				99,365
<b>Total liabilities</b>	<b>87,879</b>	<b>100,860</b>	<b>8,007</b>	<b>5,025</b>	<b>1,166</b>	<b>202,937</b>
<b>FUND BALANCES</b>						
Nonspendable						
Prepaid items	28,802				487	29,289
Corpus of permanent fund					36,972	36,972
Restricted						
Public safety					1,416	1,416
Public works		544,095	467,571	502,123		1,513,789
Committed						
Cemetery					117,953	117,953
Assigned						
Future budget deficit	186,869					186,869
Unassigned	1,041,420					1,041,420
<b>Total fund balances</b>	<b>1,257,091</b>	<b>544,095</b>	<b>467,571</b>	<b>502,123</b>	<b>156,828</b>	<b>2,927,708</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,344,970</b>	<b>\$ 644,955</b>	<b>\$ 475,578</b>	<b>\$ 507,148</b>	<b>\$ 157,994</b>	<b>\$ 3,130,645</b>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY

RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET TO THE GOVERNMENTAL ACTIVITIES  
STATEMENT OF NET POSITION  
JUNE 30, 2019

<b>Total governmental fund balances</b>		\$ 2,927,708
Amounts reported for governmental activities in the statement of net position because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The amount is net of accumulated depreciation of \$1,841,419:		2,619,467
Long-term liabilities, including bonds payable, compensated absences and other post employment benefit obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable	\$ (380,000)	
Capital lease obligations	(94,903)	
Other post-employment benefits	(25,134)	
Compensated absences	(17,570)	
Net pension liability	(539,615)	
Deferred outflows related to net pension liability	222,239	
Deferred inflows related to OPEB liability	(32,356)	
	<u>(867,339)</u>	<u>(867,339)</u>
<b>Net position of governmental activities</b>		<u>\$ 4,679,836</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY

RECONCILIATION OF TOTAL DOWNTOWN DEVELOPMENT AUTHORITY  
 COMPONENT UNIT FUND BALANCES TO NET POSITION  
 OF DOWNTOWN DEVELOPMENT AUTHORITY ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2019

<b>Total component unit fund balances</b>		\$ 100,766
<p>Amounts reported for governmental activities in the statement of net position because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The amount is net of accumulated depreciation of \$215,602:</p>		478,399
<p>Long-term liabilities, including bonds payable, compensated absences and other post employment benefit obligations, are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Bonds payable	\$ (40,000)	
Net pension liability	(6,804)	
Deferred outflows related to net pension liability	<u>2,802</u>	
		<u>(44,002)</u>
<b>Net position of governmental activities</b>		<u>\$ 535,163</u>

The notes are an integral part of the financial statements.

**VILLAGE OF PINCKNEY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Major Street Fund	Local Street Fund	General Highway Fund	Nonmajor Funds	Total
<b>REVENUES</b>						
Taxes	\$ 594,410	\$	\$ 79,358	\$ 281,266	\$	\$ 875,676
Intergovernmental	210,693	185,889		276		476,216
Charges for services	176,637				25,250	201,887
Charges to other governments and funds	67,469					67,469
Grants	45,595				860	46,455
Rents	71,838					71,838
Licenses, fines and permits	19,926			3,500		23,426
Franchise and liquor control fees	19,304					19,304
Interest	7,826	5,571	1,990	8,045	2,355	25,787
Contributions					50	50
Other	64,928	26	36	1	1,177	66,168
Right of way fees				7,935		7,935
<b>Total revenues</b>	<u>1,278,626</u>	<u>191,486</u>	<u>81,384</u>	<u>301,023</u>	<u>29,692</u>	<u>1,882,211</u>
<b>EXPENDITURES</b>						
Current:						
General government	286,142					286,142
Public safety	473,937				1,075	475,012
Public works	333,013	30,985	64,663	33,239		461,900
Cemetery					17,971	17,971
Capital outlay:						
Public works	102,363		47,572			149,935
Debt service:						
Principal	37,493			30,000		67,493
Interest and fiscal charges	3,700			10,062		13,762
<b>Total expenditures</b>	<u>1,236,648</u>	<u>30,985</u>	<u>112,235</u>	<u>73,301</u>	<u>19,046</u>	<u>1,472,215</u>
<b>Excess of revenues over (under) expenditures</b>	41,978	160,501	(30,851)	227,722	10,646	409,996
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	5,476					5,476
Transfers in	16,415		274,365			290,780
Transfers (out)		(99,365)		(175,000)	(16,415)	(290,780)
<b>Total other financing sources (uses)</b>	<u>21,891</u>	<u>(99,365)</u>	<u>274,365</u>	<u>(175,000)</u>	<u>(16,415)</u>	<u>5,476</u>
<b>Net changes in fund balances</b>	63,869	61,136	243,514	52,722	(5,769)	415,472
<b>FUND BALANCE, JULY 1, 2018</b>	1,193,222	482,959	224,057	449,401	162,597	2,512,236
<b>FUND BALANCE, JUNE 30, 2019</b>	<u>\$ 1,257,091</u>	<u>\$ 544,095</u>	<u>\$ 467,571</u>	<u>\$ 502,123</u>	<u>\$ 156,828</u>	<u>\$ 2,927,708</u>

The notes are an integral part of the financial statements.



**VILLAGE OF PINCKNEY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Net change in fund balances - governmental funds</b>	\$	415,472
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Government funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation expense in the current period:</p>		
Capital outlay	\$	149,935
Depreciation expense		(205,454)
Gain (loss) on sale of assets		<u>(11,191)</u>
		(66,710)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of position:</p>		
		67,493
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds:</p>		
Compensated absences		(572)
Change in net pension obligation		(75,151)
Change in net OPEB obligation		<u>10,119</u>
		<u>(65,604)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u><u>350,651</u></u></b>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF DOWNTOWN DEVELOPMENT AUTHORITY  
COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

<b>Net change in fund balances - governmental funds</b>	\$ 36,079
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation expense in the current period:	
Depreciation expense	(24,045)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of position:	35,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds:	
Net pension liability	<u>(948)</u>
<b>Change in net position of component unit activities</b>	<u><u>\$ 46,086</u></u>

The notes are an integral part of the financial statements.

**VILLAGE OF PINCKNEY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	<b>Sewage Disposal System Fund</b>	<b>Village Water Fund</b>	<b>Totals</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 669,599	\$ 714,481	\$ 1,384,080
Investments	1,422,961	1,506,664	2,929,625
Accounts receivable	213,207	93,533	306,740
Interest receivable	650	1,289	1,939
Prepaid expenses	3,398	2,722	6,120
Inventory		40,027	40,027
<b>Total current assets</b>	<b>2,309,815</b>	<b>2,358,716</b>	<b>4,668,531</b>
<b>NONCURRENT ASSETS</b>			
Restricted cash and cash equivalents	12,553		12,553
Restricted special assessment receivable	28,075		28,075
Capital assets not being depreciated	847,570		847,570
Capital assets being depreciated	3,500,683	2,200,842	5,701,525
<b>Total noncurrent assets</b>	<b>4,388,881</b>	<b>2,200,842</b>	<b>6,589,723</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred charge on pension liability	29,474	18,469	47,943
<b>Total assets and deferred outflow</b>	<b>6,728,170</b>	<b>4,578,027</b>	<b>11,306,197</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	289,004	17,585	306,589
Due to other funds	31,556		31,556
Bonds payable - current portion	492,000		492,000
<b>Total current liabilities</b>	<b>812,560</b>	<b>17,585</b>	<b>830,145</b>
<b>LONG-TERM OBLIGATIONS</b>			
Net pension liability	71,565	44,843	116,408
Bonds payable	267,010		267,010
<b>Total long-term obligations</b>	<b>338,575</b>	<b>44,843</b>	<b>383,418</b>
<b>Total liabilities</b>	<b>1,151,135</b>	<b>62,428</b>	<b>1,213,563</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	3,589,243	2,200,842	5,790,085
Restricted	28,075		28,075
Unrestricted	1,959,717	2,314,757	4,274,474
<b>Total net position</b>	<b>\$ 5,577,035</b>	<b>\$ 4,515,599</b>	<b>\$ 10,092,634</b>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Sewage Disposal System Fund	Village Water Fund	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$ 566,368	\$ 264,279	\$ 830,647
<b>OPERATING EXPENSES</b>	<u>505,553</u>	<u>304,714</u>	<u>810,267</u>
<b>Operating income (loss)</b>	<u>60,815</u>	<u>(40,435)</u>	<u>20,380</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	25,367	26,482	51,849
Interest (expense)	(8,557)		(8,557)
Other income	<u>10,586</u>	<u>1,205</u>	<u>11,791</u>
<b>Total non-operating revenues</b>	<u>27,396</u>	<u>27,687</u>	<u>55,083</u>
<b>INCOME BEFORE CONTRIBUTIONS</b>	18,093	(53,445)	(35,352)
<b>CAPITAL CONTRIBUTIONS, TAP IN &amp; GRANTS</b>	<u>34,200</u>	<u>59,890</u>	<u>94,090</u>
<b>Change in net position</b>	122,411	47,142	169,553
<b>NET POSITION JULY 1, 2018</b>	<u>5,454,624</u>	<u>4,468,457</u>	<u>9,923,081</u>
<b>NET POSITION JUNE 30, 2019</b>	<u>\$ 5,577,035</u>	<u>\$ 4,515,599</u>	<u>\$ 10,092,634</u>

The notes are an integral part of the financial statements.

**VILLAGE OF PINCKNEY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	Sewage Disposal System Fund	Village Water Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 520,252	\$ 229,360	\$ 749,612
Cash payments to employees for services	(80,719)	(51,637)	(132,356)
Cash payments to suppliers of goods and services	(241,698)	(94,720)	(336,418)
<b>Net cash provided by operating activities</b>	<b>197,835</b>	<b>83,003</b>	<b>280,838</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	34,200	59,890	94,090
Investment activity	(101,910)	16,128	(85,782)
Purchase of fixed assets	(213,661)	(1,667)	(215,328)
Special assessments collected	20,020		20,020
Principal and interest paid on capital debt	(23,557)		(23,557)
Proceeds from borrowings	477,000		477,000
Other income	10,586	1,205	11,791
<b>Net cash (used in) capital and related financing activities</b>	<b>202,678</b>	<b>75,556</b>	<b>278,234</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on cash and cash equivalents	2,374	3,233	5,607
<b>Net increase in cash and cash equivalents</b>	<b>402,887</b>	<b>161,792</b>	<b>564,679</b>
<b>CASH AND CASH EQUIVALENTS AT JULY 1, 2018</b>			
	279,265	552,689	831,954
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2019</b>			
	<u>\$ 682,152</u>	<u>\$ 714,481</u>	<u>\$ 1,396,633</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 60,815	\$ (40,435)	\$ 20,380
Adjustments to reconcile operating income to net cash from (used in) operating activities			
Depreciation	191,943	147,289	339,232
Pension	9,966	6,245	16,211
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	(46,116)	(34,919)	(81,035)
(Increase) decrease in prepaid expenses	1,021	951	1,972
(Increase) decrease in due from other funds	763	17	780
(Increase) decrease in inventory		(6,278)	(6,278)
(Decrease) increase in accounts payable	(50,699)	10,426	(40,273)
(Decrease) increase in due to other funds	30,762	(953)	29,809
(Decrease) increase in accrued expense	(620)	660	40
<b>Total adjustments</b>	<b>137,020</b>	<b>123,438</b>	<b>260,458</b>
<b>Net cash from operating activities</b>	<b>\$ 197,835</b>	<b>\$ 83,003</b>	<b>\$ 280,838</b>
<b>SUPPLEMENTAL DISCLOSURE</b>			
<b>Non-cash investing activities</b>			
Purchase of Fixed Assets in Accounts Payable			<u>\$ 258,038</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY

FIDUCIARY FUNDS  
 STATEMENT OF ASSETS AND LIABILITIES  
 JUNE 30, 2019

	<u>Agency Funds</u>		
	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Agency Funds Total</u>
<b>ASSETS</b>			
Cash	\$	\$ 67,628	\$ 67,628
<b>Total assets</b>	<u>\$</u>	<u>\$ 67,628</u>	<u>\$ 67,628</u>
<b>LIABILITIES</b>			
Due to others	\$	\$ 66,661	\$ 66,661
Due to other funds		967	967
<b>Total liabilities</b>	<u>\$</u>	<u>\$ 67,628</u>	<u>\$ 67,628</u>

The notes are an integral part of the financial statements.

**NOTES TO FINANCIAL STATEMENTS**

## VILLAGE OF PINCKNEY

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Village relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Village are described below.

#### **FINANCIAL REPORTING ENTITY**

The Village of Pinckney was incorporated in 1895 as a general law Village, under the provision of Public Act 3 of 1895. The Village operates under a council form of government. The Village provides a wide range of services to its residents, including public safety, public works, zoning, water provision, sewage disposal, and other general administrative services.

The following financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. Component units fall in one of two categories; blended or discretely presented. The Village does not have any component units in the blended component unit category and has one component unit in the discretely presented category.

The 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. This presentation is necessary to demonstrate that while legally separate, the Village remains financially accountable for this entity or the nature and significance of the relationship between the entities is such that exclusion would make the financial statements misleading.

The Downtown Development Authority (DDA) has been included as a discretely presented component unit in the accompanying financial statements. The governing body of the DDA is appointed by the Village Council and the Council has the ability to exercise oversight on DDA management. The DDA is legally separate from the Village but fiscally dependent on the Village to a limited extent. The financial activity of the DDA is included in these financial statements and a separate audited financial statement for the DDA is not prepared. The DDA has the same fiscal year as the primary government.

In accordance with the current accounting standards all funds, agencies, activities and component units of the Village of Pinckney have been included in these financial statements.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

##### **Government-wide Financial Statements**

The government-wide financial statements (Statement of Net Position and Statement of Activities) report on all the non-fiduciary activities of the primary government and its component unit. The primary government is reported separately from its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.



VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The Government-wide Statement of Net Position reports all financial and capital resources of the Village (excluding fiduciary funds). It is displayed in a format of assets and deferred outflows of resources less liabilities and deferred inflows of resources equals net position, with the assets, deferred outflows and liabilities and deferred inflows shown in order of their relative liquidity. Net positions are required to be displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted.

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Village are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

**Fund Financial Statements**

Also, part of the basic financial statements is fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds. Although current accounting standards established the minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Village reports the following major governmental funds:

The **General Fund** is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Major Street Fund** accounts for all the activity associated with maintaining the Village's major streets. Revenues from this fund are generally derived by intergovernmental revenues and transfers of resources within the Village itself.

The **Local Street Fund** accounts for all the activity associated with maintaining the Village's local streets. Revenues from this fund are generally derived by intergovernmental revenues and transfers of resources within the Village itself.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

The **General Highway Fund** accounts for road millage revenues, general road maintenance expenditures, and transfers to other funds to finance various road construction and maintenance activities.

The Village reports the following major proprietary funds:

The **Sewage Disposal System Fund** accounts for all the activity associated with the operations and maintenance of operating a sewage treatment system.

The **Village Water Fund** accounts for all the activity associated with the operations and maintenance of operating a water distribution system.

The Village also reports an agency fund as a fiduciary fund to account for assets held by the Village in a trustee or agency capacity on behalf of others and, therefore, are not available to support Village programs. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Village available to support Village programs. The Village currently maintains agency funds to account for property tax collections and disbursement and for monies collected and paid on behalf of developer escrow accounts.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial reporting of transactions is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred without regard to timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar non-exchange revenues are recognized as revenue as soon as all eligibility requirements imposed by the resource provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are only recorded when they are due. General capital asset acquisitions are reported as expenditures in the governmental funds in a similar manner to any other expenditure. Financial resources received by the issuance of long-term debt or acquisitions under capital leases are reported as other financing sources.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: demonstrate legal and covenant compliance, demonstrate the sources and uses of liquid resources, and demonstrate how the Village's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are reported using the economic resources measurement focus and full accrual basis of accounting. On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

In situations when expenditures or expenses are incurred for which both restricted and unrestricted resources are available the Village would first apply restricted resources then unrestricted resources.

**ASSETS, DEFERRED OUTFLOW, LIABILITIES, DEFERRED INFLOW, NET POSITION AND FUND BALANCE**

**Cash and Cash Equivalents**

The Village has defined cash and cash equivalents as cash on hand, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. These amounts are classified on the statement of net position or fund balance sheet within cash and cash equivalents.

**Receivables and Payables**

In the government-wide financial statements and proprietary fund financial statements, receivables consist of all revenues earned at year-end and not received. Allowances for uncollectible accounts receivable, if any, are based upon historical trends and the periodic aging of accounts receivable. In the governmental fund financial statements receivables are recorded when they are both measurable and available. Payables consist of all expenses incurred at year-end and not yet paid.

**Capital Assets**

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Village) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real property is considered capital assets regardless of initial cost, but is not depreciated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 50 years
Utility plant	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 75 years

**Inventories**

Inventories are valued at cost, which approximates market, using the first-in, and first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than when purchased.

**Deferred Outflow of Resources**

In addition to assets, the statement of net position or fund balance sheets may sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position of fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense or expenditure) until then. The Village currently has one item that qualifies for reporting in this category.

**Compensated Absences**

It is the Village's personnel practice to grant personal and vacation time according to years of service. Vacation days must be used within twelve months of accrual. It is the Village's policy to pay employees upon leaving the employment of the Village for unused vacation time that has been earned through the last day of work. A liability for compensated absences is recorded when incurred in the government-wide and proprietary fund financial statements; however, a liability is only accrued in the governmental funds as payments come due, for example, as a result of employee resignations and retirements. As of June 30, 2019 the Village has accrued \$17,570 for future compensated absences.

**Long-term Obligations**

Balances due on long-term obligations are only recorded in the government-wide financial statements and proprietary fund financial statements. Long-term obligations consist of bonds payable, capital lease obligations, and compensated absences. Bond premiums and discounts, if any, are deferred and amortized over the life of the bond using the effective interest method. Bond issuance costs are charged to expense when incurred. In the fund financial statements, bond premiums are recognized as other financing sources, bond discounts as other financing uses, the face amount of the debt as other financing sources and debt issuance costs as expenditures.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Deferred Inflow of Resources**

In addition to liabilities, the statement of net position or fund balance sheets may sometimes report a separate section of deferred inflow of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources until that time. The Village currently has one item that qualifies for reporting in this category.

**Defined Benefit Pension Plans**

For purposes of measuring the Net Pension Liability, deferred outflow of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

**Defined Benefit Other Post Employment Benefit (OPEB) Plans**

For purposes of measuring the net OPEB liability or asset, deferred outflows and inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Village of Pinckney Retiree Health Plan and additions to and deductions from the Village's fiduciary net position have been determined on the same basis as they are reported by the Village of Pinckney. For these purposes, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Equity**

In the fund financial statements, governmental funds report the following components of fund balance:

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

When the Village incurs an expenditure for purposes for which more than one fund balance classification may be used, it is the policy of the Village to use restricted fund balance first, then committed fund balance, assigned fund balance and finally unassigned fund balance.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Revenues, Expenditures and Expenses**

*Property Taxes*

Village taxes are levied each July 1 and are payable without penalty through September 14. Property tax revenues are recognized as revenue in the fiscal year levied to the extent that they are measurable and available. The delinquent real property taxes of the Village of Pinckney are purchased with recourse by Livingston County annually before the end of the fiscal year. Allowances for estimated charge backs as a result of the recourse arrangement are established when deemed necessary. The December 1, 2018 taxable valuation of the Village totaled \$78,373,770.

The Village levies the following millages:

General Village	8.3175
General Highway	<u>4.0000</u>
Total millage	<u>12.3175</u>

*Charges for Services*

Charges for services consist primarily of charges to residents for zoning review services, refuse disposal, property maintenance, water provisions and sewage disposal services.

*Intergovernmental Revenues*

Amounts received from State and Federal sources are generally recorded as intergovernmental revenues. The Village receives a share of state sales taxes and state transportation taxes which are recorded as intergovernmental revenues.

*Rental Income*

The Village receives payment from third party telecommunications companies in exchange for permitting cellular antennas to be located on Village property. Amounts received for this purpose are recorded as rental income as general revenues.

**Management's Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**VILLAGE OF PINCKNEY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, (Public Act 20 of 1943, as amended) authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village's deposits are in accordance with statutory authority.

The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investments in all of the investments mentioned in the preceding paragraph.

As of June 30, 2019 deposits and investments consist of the following:

**CASH AND INVESTMENTS - PRIMARY GOVERNMENT AND COMPONENT UNIT**

<b>Deposits</b>	<u><b>Total</b></u>	<u><b>Cash</b></u>	<u><b>Investments</b></u>
Checking accounts	\$ 1,910,800	\$ 1,910,800	\$
Money market and savings account	1,326,691	1,326,691	
Total deposits	<u>3,237,491</u>	<u>3,237,491</u>	
<b>Investments</b>			
Non-negotiable certificates of deposit	4,263,551		4,263,551
<b>Total deposits and investments</b>	<u><u>\$ 7,501,042</u></u>	<u><u>\$ 3,237,491</u></u>	<u><u>\$ 4,263,551</u></u>

Deposits and investments are presented in the financial statements in the following areas:

	<u><b>Primary Government</b></u>	<u><b>Component Unit</b></u>
Statement of Net Position		
Cash and investments	\$ 7,093,920	\$ 104,564
Fiduciary Funds		
Cash	<u>67,628</u>	
<b>Total cash and investments</b>	<u><u>\$ 7,161,548</u></u>	<u><u>\$ 104,564</u></u>

The differences between the carrying amount of cash and the balances per the financial institutions as of June 30, 2019 stem from outstanding checks and petty cash.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - continued**

**Deposits - Custodial Credit Risk**

The Village's cash and investments are limited to deposits with financial institutions. These deposits are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Village will not be able to recover its deposits.

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.

As of June 30, 2019 deposits in banks totaled \$7,501,042, which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 5,465,712
Uninsured and collateralized	1,343,925
Uninsured and uncollateralized	<u>691,405</u>
	<u>\$ 7,501,042</u>

The Village's investment policy does not address this risk.

**Custodial Credit Risk - Deposits of Component Units**

The Component Unit DDA does not have a deposit policy for custodial credit risk. At year end, none of the Component Unit DDA's bank deposits (checking, savings and money market accounts at financial institutions and certificates of deposits) were uninsured and uncollateralized. The Component Unit DDA 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.



VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables exist at June 30, 2019. These represent short-term borrowings and amounts owed for reimbursements between other funds.

The total interfund receivable and payable balance at June 30, 2019 were as follows:

<u>Fund Receiving Resources</u>	<u>Fund Providing Resources</u>	<u>Amount</u>
General Fund	Sewage Disposal System	\$ 31,556
General Fund	Trust and Agency Fund	967
		<u>\$ 32,523</u>

Residual balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**NOTE 4 - INTERFUND TRANSFERS**

The transfers of cash between the various funds are budgeted and reported separate from revenues and expenditures as transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund. The Village also records all proceeds from the issuance of debt instruments as other financing sources in the fund financial statements. The total interfund transfer balances at June 30, 2019 were as follows:

<u>Fund Receiving Resources</u>	<u>Fund Providing Resources</u>	<u>Amount</u>
Local Street Fund	Major Street Fund	\$ 99,365
Local Street Fund	General Highway Fund	175,000
General Fund	Police K-9 Fund	8,205
General Fund	Drug Enforcement Fund	6,894
General Fund	Police Salvage Vehicles Fund	1,316
<b>Total transfers</b>		<u>\$ 290,780</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

**PRIMARY GOVERNMENT**

Governmental activities	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 48,285	\$	\$	\$ 48,285
Construction in progress	278,082	47,572	(233,367)	92,287
Subtotal	326,367	47,572	(233,367)	140,572
Other capital assets:				
Buildings and improvements	361,281			361,281
Machinery and equipment	656,392	102,363	(14,699)	744,056
Road infrastructure	2,981,610	233,367		3,214,977
Subtotal	3,999,283	335,730	(14,699)	4,320,314
Less accumulated depreciation for:				
Buildings and improvements	(180,594)	(8,512)		(189,106)
Machinery and equipment	(326,518)	(46,889)	3,508	(369,899)
Road infrastructure	(1,132,361)	(150,053)		(1,282,414)
Subtotal	(1,639,473)	(205,454)	3,508	(1,841,419)
Other capital assets, net	2,359,810	130,276	(11,191)	2,478,895
Net capital assets	<u>\$ 2,686,177</u>	<u>\$ 177,848</u>	<u>\$ (244,558)</u>	2,619,467
Related long-term debt outstanding at June 30, 2019:				<u>(474,903)</u>
Governmental capital assets, net of related debt:				<u>\$ 2,144,564</u>

Depreciation expense was charged to the following governmental activities:

	<b>Depreciation</b>
General government	\$ 6,176
Public works	179,777
Public safety	19,001
Recreation and culture	500
Total depreciation expense	<u>\$ 205,454</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 5 - CAPITAL ASSETS - continued**

**PRIMARY GOVERNMENT - continued**

<b>Business-type activities</b>	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2019</b>
Capital assets not being depreciated:				
Land	\$ 99,797	\$	\$	\$ 99,797
Construction in progress	498,587	406,491	(157,305)	747,773
Subtotal	<u>598,384</u>	<u>406,491</u>	<u>(157,305)</u>	<u>847,570</u>
Other capital assets:				
Buildings	291,570			291,570
Vehicles	58,091			58,091
Equipment	580,356	66,875		647,231
Sewer infrastructure	6,921,273	117,712		7,038,985
Water infrastructure	4,588,753	39,593		4,628,346
Subtotal	<u>12,440,043</u>	<u>224,180</u>		<u>12,664,223</u>
Less accumulated depreciation for:				
Buildings	(40,684)	(7,478)		(48,162)
Vehicles	(53,741)	(4,350)		(58,091)
Equipment	(304,903)	(42,457)		(347,360)
Sewer infrastructure	(3,561,282)	(163,788)		(3,725,070)
Water infrastructure	(2,662,856)	(121,159)		(2,784,015)
Subtotal	<u>(6,623,466)</u>	<u>(339,232)</u>		<u>(6,962,698)</u>
Other capital assets, net	<u>5,816,577</u>	<u>(115,052)</u>		<u>5,701,525</u>
Net capital assets	<u>\$ 6,414,961</u>	<u>\$ 291,439</u>	<u>\$ (157,305)</u>	6,549,095
Related long-term debt outstanding at June 30, 2019:				<u>(759,010)</u>
Business-type capital assets, net of related debt				<u>\$ 5,790,085</u>

Depreciation expense was charged to the following business-type activities:

	<b>Depreciation</b>
Sewer service	\$ 191,943
Water service	147,289
Total depreciation expense	<u>\$ 339,232</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS - continued

COMPONENT UNIT

Downtown Development Authority	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 96,665	\$	\$	\$ 96,665
Other capital assets:				
Infrastructure	597,336			597,336
Less accumulated depreciation for:				
Infrastructure	(191,557)	(24,045)		(215,602)
Other capital assets, net	405,779	(24,045)		381,734
Net capital assets	<u>\$ 502,444</u>	<u>\$ (24,045)</u>	<u>\$</u>	478,399
Related long-term debt outstanding at June 30, 2019:				<u>(40,000)</u>
Component unit capital assets, net of related debt				<u>\$ 438,399</u>
Depreciation expense was charged to the following component unit activity:				
Recreation and culture	<u>\$ 24,045</u>			

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 6 - LONG-TERM OBLIGATIONS**

The following is a summary of the changes in long-term debt and other long-term obligations (including current portions) of the Village for the year ended June 30, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<b>Primary Government</b>					
<b>Government Activities</b>					
2010 General Obligation Bonds	\$ 410,000	\$	\$ 30,000	\$ 380,000	\$ 30,000
Installment agreement obligations	132,396		37,493	94,903	29,927
Compensated absences	16,998	572		17,570	5,435
<b>Total government activities</b>	<u>559,394</u>	<u>572</u>	<u>67,493</u>	<u>492,473</u>	<u>65,362</u>
<b>Business-type Activities</b>					
2013 General Obligation Capital Improvement Bonds	297,010		15,000	282,010	15,000
2018 Rural Development Revenue Bonds		477,000		477,000	477,000
<b>Total business-type activities</b>	<u>297,010</u>	<u>477,000</u>	<u>15,000</u>	<u>759,010</u>	<u>492,000</u>
<b>Total Primary Government</b>	<u>\$ 856,404</u>	<u>\$ 477,572</u>	<u>\$ 82,493</u>	<u>\$ 1,251,483</u>	<u>\$ 557,362</u>
<b>Component Unit</b>					
Downtown Development Authority					
2004 General Obligation Bonds	<u>\$ 75,000</u>	<u>\$</u>	<u>\$ 35,000</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>

The Village's long-term obligations as of June 30, 2019, and transactions during the year then ended, are as follows:

**PRIMARY GOVERNMENT**

**General Obligation Bonds**

The following is a listing of general obligation bonds outstanding as of June 30, 2019:

**Government Activities**

General Obligation Capital Improvement Bonds, Series 2010; original issue \$681,000, interest at 2.50% maturing April 1, 2030, for construction and improvements to Mill Street.

\$ 380,000

**Business-type Activities**

General Obligation Capital Improvement Bonds, Series 2013; original issue \$405,000, interest at 2.00% maturing October 1, 2033, for improvement to the sewer system.

282,010

Total general obligation bonds

\$ 662,010

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 6 - LONG-TERM OBLIGATIONS - continued**

As of June 30, 2019 the remaining debt service maturities on the general obligation bonds and installment agreement obligations of the Village are as follows:

Fiscal Year Ended	Governmental Activities		Business-type Activities	
	Principle	Interest	Principle	Interest
2020	\$ 60,765	\$ 12,157	\$ 492,000	\$ 5,490
2021	61,626	10,546	15,000	5,190
2022	62,512	8,910	15,000	4,890
2023	35,000	7,250	15,000	4,590
2024	35,000	6,375	20,000	4,240
2025-2029	180,000	18,750	100,000	15,200
2030-2034	40,000	1,000	102,010	5,180
	<u>\$ 474,903</u>	<u>\$ 64,988</u>	<u>\$ 759,010</u>	<u>\$ 44,780</u>

**Rural Development Bonds**

The Village has the following revenue development bond outstanding as of June 30, 2019:

**Business-type Activities**

Rural Development Revenue Bonds, 92-02; original issue \$2,949,000,  
interest at 2.375% maturing November 8, 2058, for improvement to the sewer system. \$ 477,000

**Obligations under Capital Lease and Installment Purchase Agreements**

The Village has entered into lease agreements to finance the acquisition of a police vehicle, and dump truck. The lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2019 is as follows:

Total remaining minimum lease payments for vehicles and equipment \$ 94,903

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 6 - LONG-TERM OBLIGATIONS - continued**

**Compensated Absences**

Employees have rights upon termination of employment to receive payments for unused vacation time. The total dollar amounts of these rights amounted to \$17,570 and have been recorded in the government-wide financial statements at June 30, 2019.

**COMPONENT UNIT**

**General Obligation Bonds**

General Obligation Special Assessment Bonds, Series 2004; original issue \$370,000, interest at 3.00 to 5.00% maturing October 1, 2019, for construction and improvements to the downtown streetscape.

\$ 40,000

As of June 30, 2019 the remaining debt service maturities on the long-term obligation bonds of the component unit are as follows:

Fiscal Year Ended	Component Unit	
	Principle	Interest
2020	<u>\$ 40,000</u>	<u>\$ 880</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 7- DEFINED BENEFIT PENSION PLAN**

**Plan Description**

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com) and is available to the public.

**Benefits Provided**

The defined benefit plan is comprised of two divisions. Division 01 is an open division for the general employees, Division 02 is a closed division for the eligible police and fire employees.

Benefits are to be paid as 2.50% of the final average compensation for each year of service for Division 01, with an 80% maximum and 2% of the final average compensation for each year of service for Division 02, with no maximum. Final average compensation is calculated based on the employee's final 5 years' wages for both divisions.

The plan has a vesting period of 10 years, with normal retirement at age 60 for both divisions. Early retirement is available with normal benefits at age 55 with 25 years of service, or with reduced benefits at age 50 with 25 years of service or age 55 with 15 years of service for both divisions.

***Employees covered by benefit terms***

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

	<u>Division 01</u>	<u>Division 02</u>
Inactive employees or beneficiaries currently receiving benefits	4	1
Inactive employees entitled to but not yet receiving benefits	7	1
Active employees	12	0
<b>Total</b>	<u>23</u>	<u>2</u>

***Contributions***

The Village is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability or asset.

Covered employees are required to contribute 4.00% of their annual covered salaries and wages. The Village is required to contribute an actuarially determined rate of eligible payroll for Division 01 and a fixed dollar amount for Division 02. For the year ended June 30, 2019 the rate was 14.75% and the fixed amount was \$1,837 per month for the period July 1, 2018 through February 28, 2019, and a rate of 15.08% and fixed amount of \$1,955 per month is effective for the period March 1, 2019 through June 30, 2019.



VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 7 - DEFINED BENEFIT PENSION PLAN - continued**

***Net Pension Liability***

The Total Pension Liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2018.

***Actuarial assumptions***

The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%.

Salary Increases: 3.75% in the long term.

Investment rate of return: 7.75%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with price inflation of 2.5%.

Mortality rates used were based on the 2014 Healthy Annuitant Annuity Mortality Table with rates multiplied by 105%, Employee Mortality Table and Juvenile Mortality Table with a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study from 2009 to 2013.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.50%	3.41%
Global Fixed Income	18.50%	0.23%
Real Assets	13.50%	0.97%
Diversifying Strategies	12.50%	0.63%

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 7 - DEFINED BENEFIT PENSION PLAN - continued**

**Discount Rate**

The discount rate used to measure the total pension liability is 8.00% for 2018. The projection of cash flow used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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.

**Changes in Net Pension Liability**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
<b>Balance at 12/31/2017</b>	\$ 3,085,374	\$ 2,694,777	\$ 390,597
<b>Changes for the year</b>			
Service cost	75,337		75,337
Interest on total pension liability	243,948		243,948
Changes in benefits			
Difference between expected and actual experience	(23,278)		(23,278)
Changes in assumptions			
Employer contributions		110,949	(110,949)
Employee contributions		24,813	(24,813)
Net investment income		(106,738)	106,738
Benefit payments, including employee refunds	(147,380)	(147,380)	
Administrative expense		(5,247)	5,247
Other changes			
<b>Net changes</b>	<u>148,627</u>	<u>(123,603)</u>	<u>272,230</u>
<b>Balances as of 12/31/2018</b>	<u>\$ 3,234,001</u>	<u>\$ 2,571,174</u>	<u>\$ 662,827</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 7 - DEFINED BENEFIT PENSION PLAN - continued**

**Sensitivity of the Net Pension Liability to changes in the discount rate**

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>7.00%</b>	<b>Rate</b>	<b>9.00%</b>
	<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
Net Pension Liability at 12/31/2018	\$ 662,827	\$ 662,827	\$ 662,827
Change in Net Pension Liability (NPL) from change in discount rate	<u>387,420</u>	<u>                    </u>	<u>(326,446)</u>
Calculated NPL	<u>\$ 1,050,247</u>	<u>\$ 662,827</u>	<u>\$ 336,381</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

**Pension Expense and Deferred Outflow/Inflow of Resources Related to Pension**

For the year ended June 30, 2019, the Village recognized pension expense of \$146,687. The Village reported deferred outflow and inflow of resources related to pensions from the following sources:

	<b>Deferred</b>	<b>Deferred</b>	<b>Total</b>
	<b>Outflow of</b>	<b>Inflow of</b>	
	<b>Resources</b>	<b>Resources</b>	
Differences in experience	\$ 22,227	\$	\$ 22,227
Differences in assumptions	27,177		27,177
Excess (Deficit) of Investment Returns	<u>193,509</u>	<u>                    </u>	<u>193,509</u>
<b>Total to be amortized as pension expense</b>	242,913		242,913
Contributions subsequent to the measurement date	<u>58,385</u>	<u>                    </u>	<u>58,385</u>
<b>Total deferred outflows (inflows)</b>	<u>\$ 301,298</u>	<u>\$</u>	<u>\$ 301,298</u>

The amount reported as deferred outflow of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2019.

Amounts reported as deferred outflow and inflow of resources related to other pension activities will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Expense</u>
2020	\$ 86,283
2021	46,113
2022	46,187
2023	<u>64,330</u>
<b>Total</b>	<u>\$ 242,913</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 8 - POST EMPLOYMENT BENEFITS**

**Plan Description**

**Plan summary**

The Village participates in an agent multiple employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides health insurance coverage to certain retirees of the Village. Eligible retirees are those that have provided the Village twenty-five or more years of service and have reached the age of fifty-five. The plan is closed to employees hired after July 1, 2012. Benefit provisions are established through policies adopted by the Village Council through resolution. The Retiree Health Plan does not issue a publicly available financial report.

**Benefits Provided**

The Village provides medical, pharmacy, dental and vision benefits for eligible retirees and their spouse. Benefits are provided through fully insured plans administered by Blue Cross Blue Shield of Michigan. Benefits are provided to the retiree until the earlier of Medicare eligibility or age 65. Benefits are provided to the spouse of each retiree until the retiree reaches the earlier of Medicare eligibility or age 65.

**Summary of plan participants**

The retiree health plan membership for the year ended June 30, 2019, consisted of the following:

Metrics	Active Employees	Retirees and Spouses
Covered participants	5	
Average age	53.8	
Average service age	16.7	
Percentage male	100.0	

**Contribution Provisions**

Contributions to the plan are not mandated and therefore the Village may fund these benefits on a pay-as-you-go basis. However, the Village participates in the Retiree Healthcare Funding Vehicle (RHFV) at the Municipal Employees' Retirement System of Michigan (MERS). The RHFV is an agent multiple employer defined benefit OPEB plan that is administered by MERS. The Village has made contributions to advance-fund these benefits as resources are available as determined by the Village Council. During the fiscal year ended June 30, 2019, the Village made contributions of \$10,000 to the RHFV. The retiree is responsible to pay for 50% of the premium cost in the form of reimbursements to the Village on a monthly basis.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 8 - POST EMPLOYMENT BENEFITS - continued**

**Assumptions and Methods**

The Village’s OPEB liability was measured as of June 30, 2019.

**Actuarial assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 with the following assumptions applied to all periods included in the measurement:

<b>Actuarial Cost Method</b>	Individual Entry Age Normal as a level percentage of payroll
<b>Discount Rate</b>	6.00%
<b>Annual Wage Increases</b>	2.75%
<b>Price Inflation</b>	2.50%
<b>Investment Rate of Return</b>	6.00%
<b>Actuarial Value of Assets</b>	Market value
<b>Annual Per Capita Claims Costs</b>	Starting per capita costs were based on the annual premium equivalent rates provided by the insurer. These rates are charged on a per member, age-specific basis. As such, these rates are considered age-appropriate and no further adjustments are necessary. Fixed costs and fees are included in these costs to the extent the insurer incorporated them.
<b>Participation</b>	100% of future retirees are assumed to elect coverage at retirement. It is assumed that no one will opt in or opt out of coverage once an initial retirement election is made. 75% of participating future retirees are assumed to be married and cover their spouse.
<b>Spouse age</b>	Male spouses are assumed to be the same age as female spouses. Actual age is used for spouses of current retirees, if provided.
<b>Retirement</b>	100% of participants are assumed to retire at age 60.
<b>Withdrawal</b>	Participants are assumed to not terminate employment for any reason other than death, disability or retirement.
<b>Disability</b>	Participants are assumed to become disabled in accordance with rates based on age. Sample rates by age are shown below:

<u>Age</u>	<u>Rate</u>
25	0.02%
30	0.20%
35	0.50%
40	0.08%
45	0.21%
50	0.29%
55	0.38%
60+	0.39%

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 8 - POST EMPLOYMENT BENEFITS - continued**

**Assumptions and Methods - continued**

**Mortality**

Healthy:

50% Male 50% Female blend of the following tables:

1. The RP-2014 Health Annuitant Mortality Tables, with rates multiplied by 105%
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For ages 0-17, use the rates in Table 3, for ages 18-49 use the rates in Table 2, for ages 70 and older, use the rates in Table 1 and for ages 50-69, blend Table 1 and Table 2 as follows:

- a) Age 50, use 40% of Table 1 and 60% of Table 2
- b) Age 51, use 43% of Table 1 and 57% of Table 2
- c) Age 52, use 46% of Table 1 and 54% of Table 2

Etc. using 3% increases to Table 1 and 3% decreases to Table 2 per year until Age 69 with 97% of Table 1 and 3% of Table 2.

Disabled:

50% Male 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables. The mortality assumptions include a 10% margin for future mortality improvements, relative to the actual mortality experience seen in the 2000 - 2013 Experience Study.

**Annual Premium Equivalent Rates**

Age	Medical and Prescription	Dental	Vision	Total
50	\$ 5,969	\$ 442	\$ 60	\$ 6,471
51	6,233	450	63	6,746
52	6,524	459	66	7,049
53	6,818	467	69	7,354
54	7,135	476	72	7,683
55	7,453	485	75	8,013
56	7,797	494	79	8,370
57	8,144	504	82	8,730
58	8,515	513	86	9,114
59	8,699	523	88	9,310
60	9,070	533	92	9,695
61	9,391	543	95	10,029
62	9,602	553	97	10,252
63	9,866	564	100	10,530
64	10,026	574	102	10,702

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 8 - POST EMPLOYMENT BENEFITS - continued**

**Assumptions and Methods - continued**

**Discount Rate**

The discount rate is the single rate that reflects (1) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and OPEB plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

Single Equivalent Interest Rate (SEIR)

Long-Term Expected Rate of Return	6.00%
Municipal Bond Index Rate*	3.45%
Fiscal Year In Which Fiduciary Net Position Is Projected to be Depleted	N/A
<b>Single Equivalent Interest Rate</b>	<b>6.00%</b>

\*Source: S&P Municipal Bond 20 Year High Grade Rate Index

**Investment Rate of Return**

The investment policy of the Employer is determined based on the goals and objectives of the Plan and the risk tolerance of the Employer. As new information regarding the economic environment becomes available the investment policy may need to be revised. Asset allocations fluctuate due to market performance, however, the targeted OPEB asset allocation is as described below. The Employer's objective in selecting the Expected Long-Term rate of return on Assets is to estimate the single rate of return that reflects the historical returns, future expectations for each asset class, and the asset mix of the plan assets.

Per disclosures released by MERS of Michigan, the following reflects the broad asset classes of the Total Market Portfolio, in which the Employer is invested, as well as the expected return on investments for each class. However, the Employer has selected a more conservative rate of 6.00%

<u>Asset Classes</u>	<u>Target Allocation (a)</u>	<u>Inflation (b)</u>	<u>Real Rate of Return (c)</u>	<u>Arithmetic Mean (a) x [(b)+(c)]</u>
Global Equity	55.50%	2.50%	6.15%	4.80%
Global Fixed Income	18.50%	2.50%	1.26%	0.70%
Real Assets	13.50%	2.50%	7.22%	1.31%
Diversifying Strategies	12.50%	2.50%	5.00%	0.94%
Other	0.00%	2.50%	0%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>12.50%</b>	<b>19.63%</b>	<b>7.75%</b>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 8 - POST EMPLOYMENT BENEFITS - continued**

**Net OPEB Liability**

**Changes in the Net OPEB Liability (Asset)**

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>Balance at June 30, 2018</b>	\$ 121,925	\$ 89,666	\$ 32,259
<b>Changes during the year</b>			
Service cost	3,957		3,957
Interest	7,435		7,435
Differences between expected and actual experience			
Change in actuarial assumptions			
Change in benefits			
Contributions to OPEB trust		10,000	(10,000)
Net investment income		8,718	(8,718)
Benefit payments, including refunds of contributions			
Administrative expenses		(201)	201
Other changes			
<b>Total changes</b>	<u>11,392</u>	<u>18,517</u>	<u>(7,125)</u>
<b>Balance at June 30, 2019</b>	<u>\$ 133,317</u>	<u>\$ 108,183</u>	<u>\$ 25,134</u>

**Net OPEB Liability (Asset) Discount and Trend Rate Sensitivity**

The following presents the Net OPEB Liability (NOL) of the Village, calculated using trend and discount rates of 1% higher or 1% lower than the base assumptions:

<b>Trend</b>	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB Liability	\$ 25,134	\$ 25,134	\$ 25,134
Change in Net OPEB Liability from change in trend	(9,108)		9,888
Adjusted Net OPEB Liability	<u>\$ 16,026</u>	<u>\$ 25,134</u>	<u>\$ 35,022</u>
<b>Discount</b>	<b>1% Decrease</b>	<b>Current Rate</b>	<b>1% Increase</b>
Net OPEB Liability	\$ 25,134	\$ 25,134	\$ 25,134
Change in Net OPEB Liability from change in trend	8,367		(8,016)
Adjusted Net OPEB Liability	<u>\$ 33,501</u>	<u>\$ 25,134</u>	<u>\$ 17,118</u>



VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 8 - POST EMPLOYMENT BENEFITS - continued**

**OPEB Expense**

Components of the Village's OPEB expense, under GASB 75 standards, for the fiscal year ended June 30, 2019 are:

	<b>Fiscal Year Ending June 30, 2019</b>
Service cost	\$ 3,957
Interest on total OPEB liability	7,435
Recognition of deferred outflows (inflows) related to:	
Projected and actual investment earnings	(1,176)
Differences between expected and actual experience	(5,475)
Changes in assumptions	613
Projected earnings on OPEB plan investments	(5,674)
Administrative expenses	201
<b>Total OPEB expense</b>	<b>\$ (119)</b>

Deferred outflows and inflows of resources related to OPEB:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>	<b>Total</b>
Differences in experience	\$	\$ (27,650)	\$ (27,650)
Differences in assumptions		(5,938)	(5,938)
Excess (Deficit) of investment returns	3,667	(2,435)	1,232
<b>Total to be amortized as pension expense</b>	<b>3,667</b>	<b>(36,023)</b>	<b>(32,356)</b>
Contributions subsequent to the measurement date			
<b>Total deferred outflows (inflows)</b>	<b>\$ 3,667</b>	<b>\$ (36,023)</b>	<b>\$ (32,356)</b>

Amounts reported as deferred outflow and inflow of resources related to OPEB will be recognized as OPEB expense as follows:

	<b>For the year ended June 30,</b>
2019	\$ (6,038)
2020	(6,038)
2021	(6,037)
2022	(7,259)
2023	(6,651)
2024+	(333)
<b>Total</b>	<b>\$ (32,356)</b>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 9 - RISK MANAGEMENT, CLAIMS, JUDGMENTS AND CONTINGENCIES**

**Risk Management**

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

**Claims, Judgments and Contingencies**

Village management is not aware of any claims, judgments or contingencies that require disclosure.

**NOTE 10 - ASSETS RESTRICTED FOR CAPITAL AND DEBT**

Restricted assets in the Sewage Disposal System Fund as of June 30, 2019 consisted of the following:

	<b>Sewage Disposal System Fund</b>	<b>Total Restricted Assets</b>
Special assessment receivables	\$ 28,075	\$ 28,075

**NOTE 11 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 28, 2019, which is the date the financial statements were available to be issued. Management has determined that the Village does not have any material recognizable or unrecognizable events.

**NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS**

**GASB 84 - FIDUCIARY ACTIVITIES**

The Governmental Accounting Standards Board (GASB) issued GASB Standard No 84, Fiduciary Activities to establish criteria for identifying fiduciary activities for all state and local governments. Activities meeting the criteria of a fiduciary activity should be presented in a separate statement of fiduciary net position and statement of changes in fiduciary net position and establishes four types of fiduciary funds: pension and other employee benefits trust funds, investment trust funds, private purpose trust funds and custodial funds.

The Village is currently assessing the impact that this Standard will have on the Village's financial statements, which will be required to be implemented for the statements for the year ended June 30, 2020.

**GASB 87 - LEASES**

The Governmental Accounting Standards Board (GASB) issued GASB Standard No. 87, Leases to improve the accounting and financial reporting of leases by governments. This standard requires the recognition of lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows and outflows of resources based on the payment provisions of the contract. This standard will require a lessee to recognize a lease liability and right-to-use lease asset and a lessor to recognize a lease receivable and a deferred inflow of resources.

**VILLAGE OF PINCKNEY**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS - continued**

The Village is currently assessing the impact that this Standard will have on the Village's financial statements, which will be required to be implemented for the statements for the year ended June 30, 2021.

**GASB 89 - ACCOUNTING FOR INTEREST COST INCURRED BEFORE THE END OF A CONSTRUCTION PERIOD**

The Governmental Accounting Standards Board (GASB) issued GASB Standard No. 89 to establish accounting requirements for interest costs that are incurred before the end of a construction period. This statement will require interest costs incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As such, the interest will no longer be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This standard should be applied prospectively.

The Village is currently assessing the impact that this Standard will have on the Village's financial statements, which will be required to be implemented for the statements for the year ended June 30, 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

VILLAGE OF PINCKNEY

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 522,741	\$ 522,741	\$ 594,410	\$ 71,669
State shared revenues	203,000	203,000	209,591	6,591
PPT reimbursement	1,236	1,236	1,102	(134)
Charges for services	191,000	191,000	176,637	(14,363)
Charges to other governments and funds	51,250	51,250	67,469	16,219
Grants			45,595	45,595
Rents	64,000	64,000	71,838	7,838
Licenses, fines and permits	10,150	10,150	19,926	9,776
Franchise and liquor control fees	19,000	19,000	19,304	304
Interest	1,500	1,500	7,826	6,326
Miscellaneous income	8,399	8,399	64,928	56,529
<b>Total revenues</b>	<b>1,072,276</b>	<b>1,072,276</b>	<b>1,278,626</b>	<b>206,350</b>
<b>EXPENDITURES</b>				
Village council	19,941	19,941	11,867	8,074
President	5,702	5,702	5,074	628
Clerk	122,713	122,713	116,064	6,649
Auditors	4,000	6,000	6,009	(9)
Secretary	13,045	16,842	17,428	(586)
Treasurer	4,928	4,928	5,297	(369)
Buildings and grounds	43,521	43,521	15,448	28,073
Legal	14,000	19,000	17,612	1,388
Office overhead	40,907	40,907	41,706	(799)
Police	512,997	620,997	575,294	45,703
Public works	236,340	286,340	205,751	80,589
Street lights	35,000	35,000	12,262	22,738
Refuse, leaf, brush	176,525	176,525	157,201	19,324
Planning commission	12,469	12,469	7,389	5,080
Zoning administrator	43,769	43,769	37,611	6,158
Economic development	3,900	3,900	2,500	1,400
Parks and recreation	7,621	7,621	2,135	5,486
<b>Total expenditures</b>	<b>1,297,378</b>	<b>1,466,175</b>	<b>1,236,648</b>	<b>229,527</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(225,102)</b>	<b>(393,899)</b>	<b>41,978</b>	<b>435,877</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in			16,415	16,415
Proceeds from sale of capital assets			5,476	5,476
<b>Total other financing sources</b>			<b>21,891</b>	
<b>Net change in fund balance</b>	<b>(225,102)</b>	<b>(393,899)</b>	<b>63,869</b>	<b>457,768</b>
<b>FUND BALANCE, JULY 1, 2018</b>	<b>1,193,222</b>	<b>1,193,222</b>	<b>1,193,222</b>	
<b>FUND BALANCE, JUNE 30, 2019</b>	<b>\$ 968,120</b>	<b>\$ 799,323</b>	<b>\$ 1,257,091</b>	<b>\$ 457,768</b>

VILLAGE OF PINCKNEY

MAJOR STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$	\$	\$ 185,889	\$
Interest			5,571	
Miscellaneous income			26	
<b>Total revenues</b>	<u>162,385</u>	<u>162,385</u>	<u>191,486</u>	<u>29,101</u>
<b>EXPENDITURES</b>				
Labor			12,788	
Contracted services			1,385	
Repairs and maintenance			9,007	
Charges from other funds			5,599	
Other			2,206	
<b>Total expenditures</b>	<u>67,614</u>	<u>67,614</u>	<u>30,985</u>	<u>36,629</u>
<b>Excess of revenues over (under) expenditures</b>	94,771	94,771	160,501	65,730
<b>OTHER FINANCING (USES)</b>				
Transfers (out)	<u>(80,500)</u>	<u>(80,500)</u>	<u>(99,365)</u>	<u>(18,865)</u>
<b>Net change in fund balance</b>	14,271	14,271	61,136	46,865
<b>FUND BALANCE, JULY 1, 2018</b>	<u>482,959</u>	<u>482,959</u>	<u>482,959</u>	
<b>FUND BALANCE, JUNE 30, 2019</b>	<u>\$ 497,230</u>	<u>\$ 497,230</u>	<u>\$ 544,095</u>	<u>\$ 46,865</u>

VILLAGE OF PINCKNEY

LOCAL STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$	\$	\$ 79,358	\$
Interest			1,990	
Miscellaneous income			36	
<b>Total revenues</b>	<u>69,100</u>	<u>69,100</u>	<u>81,384</u>	<u>12,284</u>
<b>EXPENDITURES</b>				
Labor			22,945	
Contracted services			64,192	
Repairs and maintenance			10,966	
Charges from other funds			11,844	
Other			2,288	
<b>Total expenditures</b>	<u>135,096</u>	<u>135,096</u>	<u>112,235</u>	<u>22,861</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(65,996)</u>	<u>(65,996)</u>	<u>(30,851)</u>	<u>35,145</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>175,000</u>	<u>175,000</u>	<u>274,365</u>	<u>99,365</u>
<b>Net change in fund balance</b>	<u>109,004</u>	<u>109,004</u>	<u>243,514</u>	<u>134,510</u>
<b>FUND BALANCE, JULY 1, 2018</b>	<u>224,057</u>	<u>224,057</u>	<u>224,057</u>	
<b>FUND BALANCE, JUNE 30, 2019</b>	<u>\$ 333,061</u>	<u>\$ 333,061</u>	<u>\$ 467,571</u>	<u>\$ 134,510</u>

VILLAGE OF PINCKNEY

GENERAL HIGHWAY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$	\$	\$ 281,266	\$
PPT reimbursement			276	
Licenses, fines and permits			3,500	
Interest			8,045	
Miscellaneous income			1	
Right of way fees			7,935	
<b>Total revenues</b>	<u>292,658</u>	<u>292,658</u>	<u>301,023</u>	<u>8,365</u>
<b>EXPENDITURES</b>				
Other			33,239	
Debt service - principal			30,000	
Debt service - interest			10,062	
<b>Total expenditures</b>	<u>120,086</u>	<u>120,086</u>	<u>73,301</u>	<u>46,785</u>
<b>Excess of revenues over (under) expenditures</b>	172,572	172,572	227,722	55,150
<b>OTHER FINANCING SOURCES</b>				
Transfer (out)	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>	
<b>Net change in fund balance</b>	(2,428)	(2,428)	52,722	55,150
<b>FUND BALANCE, JULY 1, 2018</b>	<u>449,401</u>	<u>449,401</u>	<u>449,401</u>	
<b>FUND BALANCE, JUNE 30, 2019</b>	<u>\$ 446,973</u>	<u>\$ 446,973</u>	<u>\$ 502,123</u>	<u>\$ 55,150</u>



VILLAGE OF PINCKNEY

DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2019

	For the plan year ended December 31,			
	2018	2017	2016	2015
Actuarial Determined Contributions	\$ 100,399	\$ 77,670	\$ 79,836	\$ 68,440
Contributions in relation to the actuarially determined contribution	110,949	88,011	79,836	68,440
Contribution deficiency (excess)	\$ (10,550)	\$ (10,341)	\$	\$
Covered employee payroll	\$ 541,600	\$ 567,344	\$ 541,924	\$ 549,265
Contributions as a percentage of covered employee payroll	20.49%	15.51%	14.73%	12.46%

**Notes to Schedule**

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male 2014 Group Annuity Mortality Table

**Previous actuarial methods and assumptions:**

A ten year smoothed asset valuation method was used for the time period through 2014.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

VILLAGE OF PINCKNEY

DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2019

	Schedule of Changes in the Employer's Net Position Liability and Related Ratios for the Plan Year Ended December 31,			
	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 75,337	\$ 82,549	\$ 76,845	\$ 75,304
Interest	243,948	227,771	205,333	198,745
Changes of benefit terms				
Difference between expected and actual experience	(23,278)	36,896	114,412	(150,782)
Changes of assumptions				135,877
Benefit payments including employee refunds	(147,380)	(135,407)	(102,527)	(102,024)
Other				
<b>Net change in total pension liability</b>	<u>148,627</u>	<u>211,809</u>	<u>294,063</u>	<u>157,120</u>
<b>TOTAL PENSION LIABILITY BEGINNING</b>	<u>3,085,374</u>	<u>2,873,565</u>	<u>2,579,502</u>	<u>2,422,382</u>
<b>TOTAL PENSION LIABILITY ENDING</b>	<u>\$ 3,234,001</u>	<u>\$ 3,085,374</u>	<u>\$ 2,873,565</u>	<u>\$ 2,579,502</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions-employer	\$ 110,949	\$ 88,011	\$ 79,836	\$ 68,440
Contributions-employee	24,813	22,430	23,380	21,844
Net Investment income	(106,738)	318,889	248,725	(33,959)
Benefit payments including employee refunds	(147,380)	(135,407)	(102,527)	(102,024)
Administrative expense	(5,247)	(5,045)	(4,905)	(4,900)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(123,603)</u>	<u>288,878</u>	<u>244,509</u>	<u>(50,599)</u>
<b>PLAN FIDUCIARY NET POSITION BEGINNING</b>	<u>2,694,777</u>	<u>2,405,899</u>	<u>2,161,390</u>	<u>2,211,989</u>
<b>PLAN FIDUCIARY NET POSITION ENDING</b>	<u>\$ 2,571,174</u>	<u>\$ 2,694,777</u>	<u>\$ 2,405,899</u>	<u>\$ 2,161,390</u>
<b>EMPLOYER NET PENSION LIABILITY</b>	<u>\$ 662,827</u>	<u>\$ 390,597</u>	<u>\$ 467,666</u>	<u>\$ 418,112</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	79.5%	87.3%	83.7%	83.8%
<b>Covered employee payroll</b>	\$ 541,600	\$ 567,344	\$ 541,924	\$ 549,265
<b>Employer's net pension liability as a percentage of covered employee payroll</b>	122.4%	68.8%	86.3%	76.1%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

VILLAGE OF PINCKNEY

OTHER POST EMPLOYMENT BENEFIT PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2019

	For the Plan Year Ended June 30, <u>2019</u>	For the Plan Year Ended June 30, <u>2018</u>
<b>Actuarially determined employer contribution</b>		
Service cost with interest to June 30	\$ 4,076	\$ 4,076
Amortization of unfunded liability with interest to June 30	<u>2,679</u>	<u>2,679</u>
Actuarially determined employer contribution	6,755	6,755
Employer contribution	<u>10,000</u>	<u>10,000</u>
Contribution deficiency/(excess)	<u>\$ (3,245)</u>	<u>\$ (3,245)</u>
Covered employee payroll	<u>\$ 292,525</u>	<u>\$ 284,696</u>
Employer contributions as a percentage of covered payroll	<u>3.4%</u>	<u>3.5%</u>

**Notes to the schedule of contributions:**

Valuation Date:	June 30, 2018
Actuarial methods:	Cost method: Entry Age Normal (level percentage of compensation). Amortization period: 22 years Asset valuation method: Equal to market value of assets.
Actuarial assumptions:	Discount rate: 6.0%; rationale: Matches expected return on assets. Payroll inflation: 2.75%; rationale: Per information provided by Village. Return on plan assets: 6.0%; rationale: Single blended rate of long term real rate of return per asset advisor increased with inflation. Mortality rates: RP-2014 Annuitant tables

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

VILLAGE OF PINCKNEY

OTHER POST EMPLOYMENT BENEFIT PLAN  
 SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS  
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>For the Plan Year Ended June 30, 2019</u>	<u>For the Plan Year Ended June 30, 2018</u>
<b>TOTAL OPEB LIABILITY</b>		
Service cost	\$ 3,957	\$ 9,867
Interest	7,435	9,812
Changes in plan terms		
Differences between expected and actual experience		(38,600)
Changes of assumptions		(8,290)
Benefit payments, including refunds of employee contributions		(18,909)
<b>Net change in total OPEB liability</b>	11,392	(46,120)
<b>TOTAL OPEB LIABILITY - BEGINNING</b>	<u>121,925</u>	<u>168,045</u>
<b>TOTAL OPEB LIABILITY - ENDING</b>	<u>\$ 133,317</u>	<u>\$ 121,925</u>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions to OPEB trust	\$ 10,000	\$ 10,000
Net investment income	8,718	(431)
Benefit payments, including refunds of employee contributions		(18,909)
Administrative expenses	(201)	(223)
Other		
<b>Net change in fiduciary net position</b>	18,517	(9,563)
<b>PLAN FIDUCIARY NET POSITION, BEGINNING</b>	<u>89,666</u>	<u>99,229</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING</b>	<u>\$ 108,183</u>	<u>\$ 89,666</u>
<b>NET OPEB LIABILITY (ASSET)</b>		
<b>(TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)</b>	<u>\$ 25,134</u>	<u>\$ 32,259</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>81.15%</u>	<u>73.54%</u>
Covered employee payroll	<u>\$ 292,525</u>	<u>\$ 284,696</u>
Net OPEB liability (asset) as a percentage of covered employee payroll	<u>8.59%</u>	<u>11.33%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available will be presented.

**SUPPLEMENTARY INFORMATION**

**COMBINING FUND FINANCIAL STATEMENTS  
OF NONMAJOR FUNDS**

VILLAGE OF PINCKNEY

COMBINING BALANCE SHEETS  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Cemetery Fund	Police Training Fund	Police K-9 Fund	Drug Enforcement Fund	Police Salvage Vehicles Fund	Total
<b>Assets</b>						
Cash and investments	\$ 155,645	\$ 1,812	\$	\$	\$	\$ 157,457
Accrued interest receivable	37					37
Prepaid expenditures	487					487
Miscellaneous receivable				13		13
<b>Total assets</b>	<u>\$ 156,169</u>	<u>\$ 1,812</u>	<u>\$</u>	<u>\$ 13</u>	<u>\$</u>	<u>\$ 157,994</u>
<b>Liabilities</b>						
Accounts payable and accrued Expenditures	<u>\$ 757</u>	<u>\$ 396</u>	<u>\$</u>	<u>\$ 13</u>	<u>\$</u>	<u>\$ 1,166</u>
<b>Fund Balances</b>						
Nonspendable						
Prepaid items	487					487
Corpus of permanent fund	36,972					36,972
Restricted						
Public safety		1,416				1,416
Committed						
Cemetery	117,953					117,953
<b>Total fund balances</b>	<u>155,412</u>	<u>1,416</u>				<u>156,828</u>
<b>Total liabilities and fund balances</b>	<u>\$ 156,169</u>	<u>\$ 1,812</u>	<u>\$</u>	<u>\$ 13</u>	<u>\$</u>	<u>\$ 157,994</u>

VILLAGE OF PINCKNEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

	Cemetery Fund	Police Training Fund	Police K-9 Fund	Drug Enforcement Fund	Police Salvage Vehicles Fund	Total
<b>REVENUES</b>						
Charges for services	\$ 24,950	\$	\$	\$	\$ 300	\$ 25,250
Grants		860				860
Interest income	2,325	4	13	11	2	2,355
Contributions			50			50
Miscellaneous revenue	996	150	31			1,177
<b>Total revenues</b>	<u>28,271</u>	<u>1,014</u>	<u>94</u>	<u>11</u>	<u>302</u>	<u>29,692</u>
<b>EXPENDITURES</b>						
Current:						
Public safety		860	215			1,075
Cemetery	17,971					17,971
<b>Total expenditures</b>	<u>17,971</u>	<u>860</u>	<u>215</u>			<u>19,046</u>
<b>Excess of revenues over (under) expenditures</b>	10,300	154	(121)	11	302	10,646
<b>OTHER FINANCING SOURCES</b>						
Transfers (out)			(8,205)	(6,894)	(1,316)	(16,415)
<b>Net change in fund balances</b>	10,300	154	(8,326)	(6,883)	(1,014)	(5,769)
<b>FUND BALANCE, JULY 1, 2018</b>	<u>145,112</u>	<u>1,262</u>	<u>8,326</u>	<u>6,883</u>	<u>1,014</u>	<u>162,597</u>
<b>FUND BALANCE, JUNE 30, 2019</b>	<u>\$ 155,412</u>	<u>\$ 1,416</u>	<u>\$</u>		<u>\$</u>	<u>\$ 156,828</u>



**FUND FINANCIAL STATEMENTS  
OF COMPONENT UNIT**

**DOWNTOWN DEVELOPMENT AUTHORITY  
FUND FINANCIAL STATEMENTS**

VILLAGE OF PINCKNEY

DOWNTOWN DEVELOPMENT AUTHORITY  
BALANCE SHEET  
JUNE 30, 2019

**ASSETS**

Cash and investments	\$ 104,564	
Accrued interest receivable		<u>7</u>

<b>Total assets</b>		<u>\$ 104,571</u>
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**LIABILITIES**

Accounts payable	\$ 3,076	
Accrued expenditures		289
Accrued interest payable		<u>440</u>

<b>Total liabilities</b>		\$ 3,805
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**FUND BALANCE**

	<u>100,766</u>
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<b>Total liabilities and fund balance</b>		<u>\$ 104,571</u>
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VILLAGE OF PINCKNEY

DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2019

**REVENUES**

Property taxes	\$ 134,451
Charges for services	9,430
Interest income	<u>294</u>
<b>Total revenues</b>	<u>144,175</u>

**EXPENDITURES**

Recreation and culture	70,959
Debt service - principal	35,000
Debt service - interest	<u>2,137</u>
<b>Total expenditures</b>	<u>108,096</u>

**Net change in fund balance** 36,079

**FUND BALANCE, JULY 1, 2018** 64,687

**FUND BALANCE, JUNE 30, 2019** \$ 100,766