

VILLAGE OF PINCKNEY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 ATTORNEY

Cohl, Stoker, & Toskey, P.C.

VILLAGE AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 9, 2020

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, 2020, 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, 2020, 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, 2020

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, 2020. 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 \$15,024,249 (net position). Of this amount, \$5,390,639 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$251,779.

As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$2,989,304, an increase of \$61,596 in comparison with the prior year. The combined ending fund balance consists of non-spendable items (2.8%), restricted amounts (42.9%), committed amounts per Village Council (4.3%), assigned amounts (19%), and unassigned fund balance of \$925,928 (31%) which is available for spending at the government's discretion.

The Village of Pinckney's total long-term obligations decreased by \$49,435 during the current year, as a result of annual principle payments of \$60,765, less an increase in compensated absences of \$11,330.

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 \$15,024,249. This is a \$251,779 increase over the net position of \$14,772,470 reported for the year ended June 30, 2019. A significant portion of the Village's net position, \$8,292,651 (55.2%), 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, \$1,340,959 (8.9%), 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 \$5,390,639 (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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
ASSETS						
Current and other assets	\$ 3,058,947	\$ 3,031,280	\$ 4,507,709	\$ 4,677,603	\$ 7,566,656	\$ 7,708,883
Capital assets	<u>2,809,693</u>	<u>2,619,467</u>	<u>7,860,431</u>	<u>6,549,095</u>	<u>10,670,124</u>	<u>9,168,562</u>
Total assets	<u>5,868,640</u>	<u>5,650,747</u>	<u>12,368,140</u>	<u>11,226,698</u>	<u>18,236,780</u>	<u>16,877,445</u>
DEFERRED OUTFLOW OF RESOURCES	<u>159,085</u>	<u>222,239</u>	<u>32,330</u>	<u>47,943</u>	<u>191,415</u>	<u>270,182</u>
LIABILITIES						
Other liabilities	160,169	181,069	273,089	798,589	433,258	979,658
Long-term liabilities	<u>912,576</u>	<u>979,725</u>	<u>2,013,952</u>	<u>383,418</u>	<u>2,926,528</u>	<u>1,363,143</u>
Total liabilities	<u>1,072,745</u>	<u>1,160,794</u>	<u>2,287,041</u>	<u>1,182,007</u>	<u>3,359,786</u>	<u>2,342,801</u>
DEFERRED INFLOW OF RESOURCES	<u>44,160</u>	<u>32,356</u>			<u>44,160</u>	<u>32,356</u>
NET POSITION						
Invested in capital assets, net of related debt	2,395,555	2,144,564	5,897,096	5,790,085	8,292,651	7,934,649
Restricted	1,282,244	1,515,205	58,715	28,075	1,340,959	1,543,280
Unrestricted	<u>1,233,021</u>	<u>1,020,067</u>	<u>4,157,618</u>	<u>4,274,474</u>	<u>5,390,639</u>	<u>5,294,541</u>
Total net position	<u>\$ 4,910,820</u>	<u>\$ 4,679,836</u>	<u>\$ 10,113,429</u>	<u>\$ 10,092,634</u>	<u>\$ 15,024,249</u>	<u>\$ 14,772,470</u>

Summary of Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2019</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 188,102	\$ 269,356	\$ 761,783	\$ 830,647	\$ 949,885	\$ 1,100,003
Operating grants and contributions	19,714	46,455	10,250	94,090	29,964	140,545
Capital grants and contributions		50				50
General revenues:						
Property taxes	889,027	875,676			889,027	875,676
State shared revenues	459,906	476,216			459,906	476,216
Interest income	24,378	25,787	39,482	51,849	63,860	77,636
Other	243,908	188,671	39,788	11,791	283,696	200,462
Gain (loss) from disposal of capital assets		(5,715)				(5,715)
Total revenues	<u>1,825,035</u>	<u>1,876,496</u>	<u>851,303</u>	<u>988,377</u>	<u>2,676,338</u>	<u>2,864,873</u>
EXPENSES						
General government	317,524	315,153			317,524	315,153
Public safety	557,001	523,850			557,001	523,850
Public works	693,279	654,181			693,279	654,181
Cemetery	13,632	18,399			13,632	18,399
Recreation and culture	458	500			458	500
Interest on long-term debt	12,157	13,762			12,157	13,762
Water system			299,796	304,714	299,796	304,714
Sewer system			530,712	514,110	530,712	514,110
Total expenses	<u>1,594,051</u>	<u>1,525,845</u>	<u>830,508</u>	<u>818,824</u>	<u>2,424,559</u>	<u>2,344,669</u>
Change in net position	230,984	350,651	20,795	169,553	251,779	520,204
Beginning net position	<u>4,679,836</u>	<u>4,329,185</u>	<u>10,092,634</u>	<u>9,923,081</u>	<u>14,772,470</u>	<u>14,252,266</u>
Ending net position	<u>\$ 4,910,820</u>	<u>\$ 4,679,836</u>	<u>\$ 10,113,429</u>	<u>\$ 10,092,634</u>	<u>\$ 15,024,249</u>	<u>\$ 14,772,470</u>

Governmental activities increased the Village's net position by \$230,984. The \$230,984 increase is primarily due to a decrease in road expenditures, higher property tax revenues, and lower State Shared revenues. Business-type activities increased the Village's net position by \$20,795.

Financial Analysis of the Village's Major Funds

The Village's General Fund had expenditures over revenues, before other financing sources (uses), totaling \$41,921 this year. This is primarily due to 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 \$227,013. This was primarily due to efficient management of road expenditures.

The Major Street Fund had revenues over expenditures, before other financing sources (uses), totaling \$149,507.

The Local Street Fund had expenditures over revenues, before other financing sources (uses), totaling \$272,981. This was due to the ongoing Mann Street construction project.

The Village's two major proprietary funds, Sewage Disposal System Fund and Village Water Fund, had an aggregated increase in net position of \$20,795. The net position of the Sewage Disposal System Fund increased by \$31,208, due to favorable charges for services. The net position of the Village Water Fund decreased by \$10,413, due to an operating loss of \$16,413 offset by tap fee income of \$6,000. The unrestricted net position of the combined proprietary funds at the end of the year amounted to \$4,157,618, restricted assets amounted to \$58,715, and capital assets net of related debt amounted to \$5,897,096.

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, 2020 amounted to \$10,670,124 (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:

- Continuation of the Mann Street construction project
- Continuation of a pump station and force main replacement and screening building in the Sewage Disposal System
- Purchase of a vehicle for the DPW
- Purchase of manholes
- Purchase of a new roof, the cost of which was split between the building and grounds department and the police department
- Purchase of an easement
- Purchase of SCADA software
- Purchase of a meter reader

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

Capital Assets as of June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land	\$ 48,285	\$ 184,334	\$ 232,619
Construction in progress	387,785	2,302,185	2,689,970
Buildings and improvements	379,695	291,570	671,265
Machinery and equipment	841,726	654,750	1,496,476
Road infrastructure	3,222,977		3,222,977
Sewer infrastructure		7,038,985	7,038,985
Water infrastructure		4,628,346	4,628,346
Vehicles		58,091	58,091
Subtotal	4,880,468	15,158,261	20,038,729
Accumulated depreciation	<u>(2,070,775)</u>	<u>(7,297,830)</u>	<u>(9,368,605)</u>
Net capital assets	<u>\$ 2,809,693</u>	<u>\$ 7,860,431</u>	<u>\$ 10,670,124</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 \$2,377,474. The Village's total debt (excluding compensated absences) decreased by \$121,765, which consisted of repayments on existing debt. Business-type activities issued new debt of \$1,265,326 and repaid \$61,000 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 2020-21 fiscal year:

- The labor agreement with the Police Officers Labor Council contains annual contractual rate increases. The current contract runs from July 1, 2019 through June 30, 2022.
- 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 risen, but another Headless rollback in 2020 has reduced the millage rate from 8.3175 to 8.2792 mils. The General Highway millage is 4.0000 mils. The total millage rate is 12.2792 mills for 2020-21.
- The Village was awarded a Stormwater, Asset Management, and Wastewater Grant ("SAW Grant") on April 24, 2020 in the amount of \$300,946 to prepare a Waste Water Asset Management Plan. In addition to the SAW Grant amount, the Village is required to provide match funding up to \$33,349. In general, an Asset Management Plan is a tool for water systems to plan for future financial needs, estimate the full cost of water service and to ensure a sustainable utility. The end date of the SAW Grant is March 2023.
- 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.

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Village is still assessing the impacts of the pandemic but believes there could be a resulting decrease in tax collections, state revenue and investment earnings. As a result, there will be an increased focus on decreasing expenditures and tightening the budgets.

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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash, cash equivalents and investments	\$ 2,855,878	\$ 4,109,719	\$ 6,965,597	\$ 142,168
Receivables:				
Accounts	76,018	295,468	371,486	
Other governments	75,753		75,753	
Taxes	340		340	
Prepaid expenses	43,580	6,902	50,482	
Inventory	7,378	36,905	44,283	
Restricted:				
Cash and cash equivalents		37,659	37,659	
Special assessments receivable		21,056	21,056	
Capital assets:				
Non-depreciable	436,070	2,486,519	2,922,589	96,665
Depreciable, net	<u>2,373,623</u>	<u>5,373,912</u>	<u>7,747,535</u>	<u>357,689</u>
Total assets	<u>5,868,640</u>	<u>12,368,140</u>	<u>18,236,780</u>	<u>596,522</u>
DEFERRED OUTFLOW OF RESOURCES				
Pension asset, net	<u>159,085</u>	<u>32,330</u>	<u>191,415</u>	<u>1,151</u>
LIABILITIES				
Accounts payable and accrued expenses	69,643	212,089	281,732	3,737
Long-term obligations:				
Compensated absences	28,900		28,900	
Current portion of long-term debt	61,626	61,000	122,626	
Net other post employment benefits obligation	10,839		10,839	
Net pension liability	549,225	111,617	660,842	3,973
Other due in more than one year	<u>352,512</u>	<u>1,902,335</u>	<u>2,254,847</u>	
Total liabilities	<u>1,072,745</u>	<u>2,287,041</u>	<u>3,359,786</u>	<u>7,710</u>
DEFERRED INFLOW OF RESOURCES				
OPEB liability, net	<u>44,160</u>		<u>44,160</u>	
NET POSITION				
Net investment in capital assets	2,395,555	5,897,096	8,292,651	454,354
Restricted	1,282,244	58,715	1,340,959	
Unrestricted	<u>1,233,021</u>	<u>4,157,618</u>	<u>5,390,639</u>	<u>135,609</u>
Total net position	<u>\$ 4,910,820</u>	<u>\$ 10,113,429</u>	<u>\$ 15,024,249</u>	<u>\$ 589,963</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Programs Revenues		Net (Expenses) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT							
Governmental Activities							
General government	\$ (317,524)	\$ 176,052	\$ 19,267	\$ (122,205)	\$	\$ (122,205)	\$
Public safety	(557,001)		447	(556,554)		(556,554)	
Public works	(693,279)			(693,279)		(693,279)	
Cemetery	(13,632)	12,050		(1,582)		(1,582)	
Recreation and culture	(458)			(458)		(458)	
Interest on long-term debt	(12,157)			(12,157)		(12,157)	
Total governmental activities	(1,594,051)	188,102	19,714	(1,386,235)		(1,386,235)	
Business-type Activities							
Water system	(299,796)	259,024	6,000		(34,772)	(34,772)	
Sewer system	(530,712)	502,759	4,250		(23,703)	(23,703)	
Total business-type activities	(830,508)	761,783	10,250		(58,475)	(58,475)	
Total primary government	\$ (2,424,559)	\$ 949,885	\$ 29,964	(1,386,235)	(58,475)	(1,444,710)	
COMPONENT UNIT							
Downtown Development Authority	\$ (89,729)	\$ 4,386	\$				(85,343)
General revenues:							
Property taxes				889,027		889,027	135,261
State shared revenues				459,906		459,906	4,240
Interest income				24,378	39,482	63,860	642
Rental income				116,959		116,959	
Other income				126,949	39,788	166,737	
Total general revenues				1,617,219	79,270	1,696,489	140,143
Changes in net position				230,984	20,795	251,779	54,800
Net position, July 1, 2019				4,679,836	10,092,634	14,772,470	535,163
Net position, June 30, 2020				\$ 4,910,820	\$ 10,113,429	\$ 15,024,249	\$ 589,963

The notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

VILLAGE OF PINCKNEY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Major Street Fund	Local Street Fund	General Highway Fund	Nonmajor Funds	Total
ASSETS						
Cash, cash equivalents and investments	\$ 1,097,626	\$ 581,068	\$ 447,833	\$ 559,289	\$ 170,062	\$ 2,855,878
Receivables						
Services	74,378		100			74,478
Taxes	246			94		340
Intergovernmental	41,148	24,257	10,348			75,753
Due from other funds	1,540					1,540
Inventory		3,689	3,689			7,378
Prepaid expenditures	43,061	83	119		317	43,580
Total assets	<u>\$ 1,257,999</u>	<u>\$ 609,097</u>	<u>\$ 462,089</u>	<u>\$ 559,383</u>	<u>\$ 170,379</u>	<u>\$ 3,058,947</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 55,890	\$ 1,495	\$ 6,499	\$ 5,247	\$ 512	\$ 69,643
Total liabilities	<u>55,890</u>	<u>1,495</u>	<u>6,499</u>	<u>5,247</u>	<u>512</u>	<u>69,643</u>
FUND BALANCES						
Nonspendable						
Prepaid items	43,061	83	119		317	43,580
Corpus of permanent fund					39,232	39,232
Restricted						
Public safety					1,418	1,418
Public works		607,519	455,471	217,836		1,280,826
Committed						
Cemetery					128,900	128,900
Assigned						
Future budget deficit	233,120			336,300		569,420
Unassigned	925,928					925,928
Total fund balances	<u>1,202,109</u>	<u>607,602</u>	<u>455,590</u>	<u>554,136</u>	<u>169,867</u>	<u>2,989,304</u>
Total liabilities and fund balances	<u>\$ 1,257,999</u>	<u>\$ 609,097</u>	<u>\$ 462,089</u>	<u>\$ 559,383</u>	<u>\$ 170,379</u>	<u>\$ 3,058,947</u>

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, 2020

Total governmental fund balances		\$ 2,989,304
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 \$2,070,775:		2,809,693
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	\$ (350,000)	
Capital lease obligations	(64,138)	
Other post-employment benefits	(10,839)	
Compensated absences	(28,900)	
Net pension liability	(549,225)	
Deferred outflows related to net pension liability	159,085	
Deferred inflows related to OPEB liability	(44,160)	
	<u> </u>	<u>(888,177)</u>
Net position of governmental activities		<u><u>\$ 4,910,820</u></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, 2020

Total component unit fund balances		\$ 138,431
<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 \$239,647:</p>		454,354
<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>		
Net pension liability	\$ (3,973)	
Deferred outflows related to net pension liability	<u>1,151</u>	
		<u>(2,822)</u>
Net position of governmental activities		<u><u>\$ 589,963</u></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, 2020

	General Fund	Major Street Fund	Local Street Fund	General Highway Fund	Nonmajor Funds	Total
REVENUES						
Taxes	\$ 603,508	\$	\$	\$ 285,519	\$	\$ 889,027
Intergovernmental	211,194	173,802	74,144	766		459,906
Charges for services	176,052				12,050	188,102
Charges to other governments and funds	58,095					58,095
Grants	19,267				447	19,714
Rents	97,735					97,735
Licenses, fines and permits	37,212			3,000		40,212
Franchise and liquor control fees	19,224					19,224
Interest	13,314	4,591	1,760	3,383	1,330	24,378
Other	15,286		4,588			19,874
Right of way fees				8,768		8,768
Total revenues	1,250,887	178,393	80,492	301,436	13,827	1,825,035
EXPENDITURES						
Current:						
General government	299,539					299,539
Public safety	489,254				447	489,701
Public works	354,509	28,886	49,975	34,923		468,293
Cemetery					13,402	13,402
Capital outlay:						
Public works	116,084		303,498			419,582
Debt service:						
Principal	30,765			30,000		60,765
Interest and fiscal charges	2,657			9,500		12,157
Total expenditures	1,292,808	28,886	353,473	74,423	13,849	1,763,439
Excess of revenues over (under) expenditures	(41,921)	149,507	(272,981)	227,013	(22)	61,596
OTHER FINANCING SOURCES (USES)						
Transfers in			261,000		13,061	274,061
Transfers (out)	(13,061)	(86,000)		(175,000)		(274,061)
Total other financing sources (uses)	(13,061)	(86,000)	261,000	(175,000)	13,061	
Net changes in fund balances	(54,982)	63,507	(11,981)	52,013	13,039	61,596
FUND BALANCE, JULY 1, 2019	1,257,091	544,095	467,571	502,123	156,828	2,927,708
FUND BALANCE, JUNE 30, 2020	\$ 1,202,109	\$ 607,602	\$ 455,590	\$ 554,136	\$ 169,867	\$ 2,989,304

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, 2020

Net change in fund balances - governmental funds		\$ 61,596
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:		
Capital outlay	\$ 419,582	
Depreciation expense	<u>(229,356)</u>	
		190,226
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of position:		
		60,765
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:		
Compensated absences	(11,330)	
Change in net pension obligation	(72,764)	
Change in net OPEB obligation	<u>2,491</u>	
		<u>(81,603)</u>
Change in net position of governmental activities		<u>\$ 230,984</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 DOWNTOWN DEVELOPMENT AUTHORITY
 COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - governmental funds	\$ 37,665
<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>	
Depreciation expense	(24,045)
<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>	
	40,000
<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>	
Net pension liability	<u>1,180</u>
Change in net position of component unit activities	<u><u>\$ 54,800</u></u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2020

	Sewage Disposal System Fund	Village Water Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	\$ 689,068	\$ 901,942	\$ 1,591,010
Investments	1,073,617	1,445,092	2,518,709
Accounts receivable	204,415	91,053	295,468
Prepaid expenses	3,936	2,966	6,902
Inventory		36,905	36,905
Total current assets	1,971,036	2,477,958	4,448,994
NONCURRENT ASSETS			
Restricted special assessment receivable	21,056		21,056
Restricted cash and cash equivalents	37,659		37,659
Capital assets not being depreciated	2,486,519		2,486,519
Capital assets being depreciated	3,308,742	2,065,170	5,373,912
Total noncurrent assets	5,853,976	2,065,170	7,919,146
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on pension liability	19,953	12,377	32,330
Total assets and deferred outflow	7,844,965	4,555,505	12,400,470
CURRENT LIABILITIES			
Accounts payable and accrued expenses	204,501	7,588	212,089
Bonds payable - current portion	61,000		61,000
Total current liabilities	265,501	7,588	273,089
LONG-TERM OBLIGATIONS			
Net pension liability	68,886	42,731	111,617
Bonds payable	1,902,335		1,902,335
Total long-term obligations	1,971,221	42,731	2,013,952
Total liabilities	2,236,722	50,319	2,287,041
NET POSITION			
Invested in capital assets, net of related debt	3,831,926	2,065,170	5,897,096
Restricted	58,715		58,715
Unrestricted	1,717,602	2,440,016	4,157,618
Total net position	\$ 5,608,243	\$ 4,505,186	\$ 10,113,429

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, 2020

	Sewage Disposal System Fund	Village Water Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 502,759	\$ 259,024	\$ 761,783
OPERATING EXPENSES	<u>493,005</u>	<u>299,796</u>	<u>792,801</u>
Operating income (loss)	<u>9,754</u>	<u>(40,772)</u>	<u>(31,018)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	17,738	21,744	39,482
Interest (expense)	(37,707)		(37,707)
Other income	<u>37,173</u>	<u>2,615</u>	<u>39,788</u>
Total non-operating revenues	<u>17,204</u>	<u>24,359</u>	<u>41,563</u>
INCOME BEFORE CONTRIBUTIONS	26,958	(16,413)	10,545
CAPITAL CONTRIBUTIONS, TAP IN & GRANTS	<u>4,250</u>	<u>6,000</u>	<u>10,250</u>
Change in net position	31,208	(10,413)	20,795
NET POSITION JULY 1, 2019	<u>5,577,035</u>	<u>4,515,599</u>	<u>10,092,634</u>
NET POSITION JUNE 30, 2020	<u>\$ 5,608,243</u>	<u>\$ 4,505,186</u>	<u>\$ 10,113,429</u>

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2020

	Sewage Disposal System Fund	Village Water Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 511,551	\$ 261,504	\$ 773,055
Cash payments to employees for services	(79,466)	(50,619)	(130,085)
Cash payments to suppliers of goods and services	(331,351)	(109,124)	(440,475)
Net cash provided by operating activities	100,734	101,761	202,495
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	4,250	6,000	10,250
Investment activity	348,057	82,056	430,113
Purchase of fixed assets	(1,638,948)	(7,518)	(1,646,466)
Special assessments collected	9,126		9,126
Principal and interest paid on capital debt	(83,707)		(83,707)
Proceeds from borrowings	1,265,326		1,265,326
Other income	37,173	2,615	39,788
Net cash (used in) capital and related financing activities	(58,723)	83,153	24,430
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on cash and cash equivalents	2,564	2,547	5,111
Net increase in cash and cash equivalents	44,575	187,461	232,036
CASH AND CASH EQUIVALENTS AT JULY 1, 2019			
	<u>682,152</u>	<u>714,481</u>	<u>1,396,633</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2020			
	<u>\$ 726,727</u>	<u>\$ 901,942</u>	<u>\$ 1,628,669</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 9,754	\$ (40,772)	\$ (31,018)
Adjustments to reconcile operating income to net cash from (used in) operating activities			
Depreciation	191,943	143,192	335,135
Pension	6,842	3,980	10,822
Changes in assets and liabilities			
(Increase) decrease in accounts receivable	8,792	2,480	11,272
(Increase) decrease in prepaid expenses	(538)	(244)	(782)
(Increase) decrease in inventory		3,122	3,122
(Decrease) increase in accounts payable	(87,410)	(10,771)	(98,181)
(Decrease) increase in due to other funds	(31,556)		(31,556)
(Decrease) increase in accrued expense	2,907	774	3,681
Total adjustments	90,980	142,533	233,513
Net cash from operating activities	\$ 100,734	\$ 101,761	\$ 202,495

The notes are an integral part of the financial statements.

VILLAGE OF PINCKNEY

FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2020

	<u>Agency Funds</u>		
	<u>Current Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Agency Funds Total</u>
ASSETS			
Cash	\$	\$ 54,677	\$ 54,677
Total assets	<u>\$</u>	<u>\$ 54,677</u>	<u>\$ 54,677</u>
LIABILITIES			
Due to others	\$	\$ 53,137	\$ 53,137
Due to other funds		1,540	1,540
Total liabilities	<u>\$</u>	<u>\$ 54,677</u>	<u>\$ 54,677</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, 2020**

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020 the Village has accrued \$28,900 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, 2020

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, 2020

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, 2019 taxable valuation of the Village totaled \$79,703,310.

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, 2020

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, 2020 deposits and investments consist of the following:

CASH AND INVESTMENTS - PRIMARY GOVERNMENT AND COMPONENT UNIT

Deposits	<u>Total</u>	<u>Cash</u>	<u>Investments</u>
Checking accounts	\$ 1,175,026	\$ 1,175,026	\$
Money market and savings account	2,093,173	2,093,173	
Total deposits	3,268,199	3,268,199	
 Investments			
Non-negotiable certificates of deposit	3,993,759		3,993,759
Total deposits and investments	<u><u>\$ 7,261,958</u></u>	<u><u>\$ 3,268,199</u></u>	<u><u>\$ 3,993,759</u></u>

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

	<u>Primary Government</u>	<u>Component Unit</u>
Statement of Net Position		
Cash and investments	\$ 6,965,597	\$ 142,168
Fiduciary Funds		
Cash	54,677	
Total cash and investments	<u><u>\$ 7,020,274</u></u>	<u><u>\$ 142,168</u></u>

The differences between the carrying amount of cash and the balances per the financial institutions as of June 30, 2020 stem from outstanding checks, petty cash and accrued interest.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 deposits in banks totaled \$7,261,958, which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 4,517,636
Uninsured and collateralized	1,568,039
Uninsured and uncollateralized	<u>1,176,283</u>
	<u>\$ 7,261,958</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, 2020

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at June 30, 2020. These represent short-term borrowings and amounts owed for reimbursements between other funds.

The total interfund receivable and payable balance at June 30, 2020 were as follows:

<u>Fund Receiving Resources</u>	<u>Fund Providing Resources</u>	<u>Amount</u>
General Fund	Trust and Agency Fund	\$ 1,540
		<u>\$ 1,540</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, 2020 were as follows:

<u>Fund Receiving Resources</u>	<u>Fund Providing Resources</u>	<u>Amount</u>
Local Street Fund	Major Street Fund	\$ 86,000
Local Street Fund	General Highway Fund	175,000
Cemetery Fund	General Fund	<u>13,061</u>
Total transfers		<u>\$ 274,061</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

PRIMARY GOVERNMENT

Governmental activities	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 48,285	\$	\$	\$ 48,285
Construction in progress	<u>92,287</u>	<u>295,498</u>		<u>387,785</u>
Subtotal	<u>140,572</u>	<u>295,498</u>		<u>436,070</u>
Other capital assets:				
Buildings and improvements	361,281	18,414		379,695
Machinery and equipment	744,056	97,670		841,726
Road infrastructure	<u>3,214,977</u>	<u>8,000</u>		<u>3,222,977</u>
Subtotal	<u>4,320,314</u>	<u>124,084</u>		<u>4,444,398</u>
Less accumulated depreciation for:				
Buildings and improvements	(189,106)	(9,322)		(198,428)
Machinery and equipment	(369,899)	(58,935)		(428,834)
Road infrastructure	<u>(1,282,414)</u>	<u>(161,099)</u>		<u>(1,443,513)</u>
Subtotal	<u>(1,841,419)</u>	<u>(229,356)</u>		<u>(2,070,775)</u>
Other capital assets, net	<u>2,478,895</u>	<u>(105,272)</u>		<u>2,373,623</u>
Net capital assets	<u>\$ 2,619,467</u>	<u>\$ 190,226</u>	<u>\$</u>	2,809,693
Related long-term debt outstanding at June 30, 2020:				<u>(414,138)</u>
Governmental capital assets, net of related debt:				<u>\$ 2,395,555</u>

Depreciation expense was charged to the following governmental activities:

	Depreciation
General government	\$ 6,122
Public works	198,057
Public safety	24,719
Recreation and culture	<u>458</u>
Total depreciation expense	<u>\$ 229,356</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS - continued

PRIMARY GOVERNMENT - continued

Business-type activities	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 99,797	\$ 84,537	\$	\$ 184,334
Construction in progress	<u>747,773</u>	<u>1,554,412</u>		<u>2,302,185</u>
Subtotal	<u>847,570</u>	<u>1,638,949</u>		<u>2,486,519</u>
Other capital assets:				
Buildings	291,570			291,570
Vehicles	58,091			58,091
Equipment	647,231	7,519		654,750
Sewer infrastructure	7,038,985			7,038,985
Water infrastructure	<u>4,628,346</u>			<u>4,628,346</u>
Subtotal	<u>12,664,223</u>	<u>7,519</u>		<u>12,671,742</u>
Less accumulated depreciation for:				
Buildings	(48,162)	(7,476)		(55,638)
Vehicles	(58,091)			(58,091)
Equipment	(347,360)	(42,711)		(390,071)
Sewer infrastructure	(3,725,070)	(163,788)		(3,888,858)
Water infrastructure	<u>(2,784,015)</u>	<u>(121,157)</u>		<u>(2,905,172)</u>
Subtotal	<u>(6,962,698)</u>	<u>(335,132)</u>		<u>(7,297,830)</u>
Other capital assets, net	<u>5,701,525</u>	<u>(327,613)</u>		<u>5,373,912</u>
Net capital assets	<u>\$ 6,549,095</u>	<u>\$ 1,311,336</u>	<u>\$</u>	7,860,431
Related long-term debt outstanding at June 30, 2020:				<u>(1,963,336)</u>
Business-type capital assets, net of related debt				<u>\$ 5,897,095</u>

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

	Depreciation
Sewer service	\$ 191,942
Water service	<u>143,190</u>
Total depreciation expense	<u>\$ 335,132</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS - continued

COMPONENT UNIT

Downtown Development Authority	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 96,665	\$	\$	\$ 96,665
Other capital assets:				
Infrastructure	597,336			597,336
Less accumulated depreciation for:				
Infrastructure	<u>(215,602)</u>	<u>(24,045)</u>		<u>(239,647)</u>
Other capital assets, net	<u>381,734</u>	<u>(24,045)</u>		<u>357,689</u>
Net capital assets	<u>\$ 478,399</u>	<u>\$ (24,045)</u>	<u>\$</u>	<u>\$ 454,354</u>

Depreciation expense was charged to the following component unit activity:

Recreation and culture	<u>\$ 24,045</u>
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VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020:

	<u>Balance</u>			<u>Balance</u>	<u>Amount</u>
Primary Government	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>	<u>Due in</u>
					<u>One Year</u>
Government Activities					
2010 General Obligation Bonds	\$ 380,000	\$	\$ 30,000	\$ 350,000	\$ 30,000
Installment agreement obligations	94,903		30,765	64,138	31,626
Compensated absences	17,570	11,330		28,900	28,900
Total government activities	<u>492,473</u>	<u>11,330</u>	<u>60,765</u>	<u>443,038</u>	<u>90,526</u>
Business-type Activities					
2013 General Obligation Capital Improvement Bonds	282,010		15,000	267,010	15,000
2018 Rural Development Revenue Bonds	477,000	1,265,326	46,000	1,696,326	46,000
Total business-type activities	<u>759,010</u>	<u>1,265,326</u>	<u>61,000</u>	<u>1,963,336</u>	<u>61,000</u>
Total Primary Government	<u>\$ 1,251,483</u>	<u>\$ 1,276,656</u>	<u>\$ 121,765</u>	<u>\$ 2,406,374</u>	<u>\$ 151,526</u>
Component Unit					
Downtown Development Authority					
2004 General Obligation Bonds	<u>\$ 40,000</u>	<u>\$</u>	<u>\$ 40,000</u>	<u>\$</u>	<u>\$</u>

The Village's long-term obligations as of June 30, 2020, 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, 2020:

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. \$ 350,000

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. 267,010

Total general obligation bonds \$ 617,010

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 6 - LONG-TERM OBLIGATIONS - continued

As of June 30, 2020 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
2021	\$ 61,626	\$ 10,546	\$ 61,000	\$ 44,932
2022	62,512	8,910	62,000	43,527
2023	35,000	7,250	63,000	42,099
2024	35,000	6,375	69,000	40,597
2025	35,000	5,500	71,000	39,010
2026-2030	185,000	14,250	371,000	170,215
2031-2035			387,009	126,202
2036-2040			343,000	84,458
2041-2045			386,000	41,197
2046-2050			150,327	3,384
	<u>\$ 414,138</u>	<u>\$ 52,831</u>	<u>\$ 1,963,336</u>	<u>\$ 635,621</u>

Rural Development Bonds

The Village has the following revenue development bond outstanding as of June 30, 2020:

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. \$ 1,696,326

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, 2020 is as follows:

Total remaining minimum lease payments for vehicles and equipment \$ 64,138

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 \$28,900 and have been recorded in the government-wide financial statements at June 30, 2020.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 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, 2019 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	9	1
Active employees	<u>13</u>	<u>0</u>
Total	<u><u>26</u></u>	<u><u>2</u></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, 2020 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, 2020.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2019.

Actuarial assumptions

The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%.

Salary Increases: 3.0% in the long term.

Investment rate of return: 7.35%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.0% 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:

Asset Class	Target Allocation		Target Allocation Gross Rate of Return		Long- Term Expected Real Rate of Return
Global Equity	60.00%	x	7.75%	=	4.65%
Global Fixed Income	20.00%	x	3.75%	=	0.75%
Private Investments	20.00%	x	9.75%	=	1.95%
Total					7.35%

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 7 - DEFINED BENEFIT PENSION PLAN - continued

Discount Rate

The discount rate used to measure the total pension liability is 7.6% for 2019. 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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2018	\$ 3,234,001	\$ 2,571,174	\$ 662,827
Changes for the year			
Service cost	85,855		85,855
Interest on total pension liability	243,647		243,647
Changes in benefits			
Difference between expected and actual experience	22,103		22,103
Changes in assumptions	127,104		127,104
Employer contributions		118,501	(118,501)
Employee contributions		25,681	(25,681)
Net investment income		351,420	(351,420)
Benefit payments, including employee refunds	(142,073)	(142,073)	
Administrative expense		(6,057)	6,057
Other changes	12,824		12,824
Net changes	<u>349,460</u>	<u>347,472</u>	<u>1,988</u>
Balances as of 12/31/2019	<u>\$ 3,583,461</u>	<u>\$ 2,918,646</u>	<u>\$ 664,815</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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 7.6%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.6%	7.6%	8.6%
Net Pension Liability at 12/31/2019	\$ 664,815	\$ 664,815	\$ 664,815
Change in Net Pension Liability (NPL) from change in discount rate	<u>434,459</u>	<u> </u>	<u>(366,278)</u>
Calculated NPL	<u>\$ 1,099,274</u>	<u>\$ 664,815</u>	<u>\$ 298,537</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, 2020, the Village recognized pension expense of \$168,462. The Village reported deferred outflow and inflow of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources	Total
Differences in experience	\$ 44,618	\$	\$ 44,618
Differences in assumptions	84,736		84,736
Excess (Deficit) of Investment Returns	<u>1,818</u>		<u>1,818</u>
Total to be amortized as pension expense	131,172		131,172
Contributions subsequent to the measurement date	<u>61,395</u>		<u>61,395</u>
Total deferred outflows (inflows)	<u>\$ 192,567</u>	<u>\$</u>	<u>\$ 192,567</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, 2020.

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

Year Ended	Expense
2021	\$ 64,616
2022	64,691
2023	33,097
2024	<u>(31,232)</u>
Total	<u>\$ 131,172</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, consisted of the following:

<u>Metrics</u>	<u>Active Employees</u>	<u>Retirees and Spouses</u>
Covered participants	5	
Average age	55.8	
Average service age	18.7	
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, 2020, 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, 2020

NOTE 8 - POST EMPLOYMENT BENEFITS - continued

Assumptions and Methods

The Village's OPEB liability was measured as of June 30, 2020.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 with the following assumptions applied to all periods included in the measurement:

Actuarial Cost Method	Individual Entry Age Normal as a level percentage of payroll
Discount Rate	6.00%
Annual Wage Increases	2.75%
Price Inflation	2.50%
Investment Rate of Return	6.00%
Actuarial Value of Assets	Market value
Annual Per Capita Claims Costs	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.
Participation	<i>100% of future retirees</i> are assumed to elect coverage at retirement. It is assumed that no one will opt in or opt of coverage once an initial retirement election is made. <i>Current retirees</i> : Based on current coverage election. It is assumed that no one
Spouse age	Actual age is used for spouses of current retirees, if provided.
Retirement	100% of participants are assumed to retire at age 60.
Withdrawal	Participants are assumed to not terminate employment for any reason other than death, disability or retirement.
Disability	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, 2020

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	\$ 6,116	\$ 429	\$ 55	\$ 6,600
51	6,387	437	56	6,880
52	6,685	445	56	7,186
53	6,986	453	57	7,496
54	7,311	462	57	7,830
55	7,637	470	57	8,164
56	7,989	479	57	8,525
57	8,346	488	57	8,891
58	8,726	498	57	9,281
59	8,914	507	57	9,478
60	9,294	517	57	9,868
61	9,623	526	57	10,206
62	9,839	537	56	10,432
63	10,109	547	56	10,712
64	10,274	557	55	10,886

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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
Single Equivalent Interest Rate	6.00%

*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</u> <u>(a)</u>	<u>Inflation</u> <u>(b)</u>	<u>Real Rate of Return</u> <u>(c)</u>	<u>Arithmetic Mean</u> <u>(a) x [(b)+(c)]</u>
Global Equity	60.00%	2.50%	3.79%	3.77%
Global Fixed Income	20.00%	2.50%	0.90%	0.68%
Private Assets	20.00%	2.50%	5.25%	1.55%
Total	100.00%	7.50%	9.94%	6.00%

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 8 - POST EMPLOYMENT BENEFITS - continued

Net OPEB Liability

Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 133,317	\$ 108,183	\$ 25,134
Changes during the year			
Service cost	4,066		4,066
Interest	8,121		8,121
Differences between expected and actual experience	2,117		2,117
Change in actuarial assumptions	(26,273)		(26,273)
Change in benefits			
Contributions to OPEB trust			
Net investment income		2,524	(2,524)
Benefit payments, including refunds of contributions			
Administrative expenses		(198)	198
Other changes			
Total changes	(11,969)	2,326	(14,295)
Balance at June 30, 2020	<u>\$ 121,348</u>	<u>\$ 110,509</u>	<u>\$ 10,839</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:

Trend	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 10,839	\$ 10,839	\$ 10,839
Change in Net OPEB Liability from change in trend	(6,731)		7,260
Adjusted Net OPEB Liability	<u>\$ 4,108</u>	<u>\$ 10,839</u>	<u>\$ 18,099</u>
Discount	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 10,839	\$ 10,839	\$ 10,839
Change in Net OPEB Liability from change in trend	6,054		(5,798)
Adjusted Net OPEB Liability	<u>\$ 16,893</u>	<u>\$ 10,839</u>	<u>\$ 5,041</u>

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 are:

	Fiscal Year Ending June 30, 2020
Service cost	\$ 4,066
Interest on total OPEB liability	8,121
Recognition of deferred outflows (inflows) related to:	
Projected and actual investment earnings	1,405
Differences between expected and actual experience	(5,199)
Changes in assumptions	(4,597)
Projected earnings on OPEB plan investments	(6,485)
Administrative expenses	198
Total OPEB expense	\$ (2,491)

Deferred outflows and inflows of resources related to OPEB:

	Deferred Outflow of Resources	Deferred Inflow of Resources	Total
Differences in experience	\$ 1,841	\$ (22,175)	\$ (20,334)
Differences in assumptions		(27,614)	(27,614)
Excess (Deficit) of investment returns	3,788		3,788
Total to be amortized as pension expense	5,629	(49,789)	(44,160)
Contributions subsequent to the measurement date			
Total deferred outflows (inflows)	\$ 5,629	\$ (49,789)	\$ (44,160)

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

	For the year ended June 30,
2021	\$ (8,391)
2022	(8,391)
2023	(9,611)
2024	(9,004)
2025	(3,477)
2026+	(5,286)
Total	\$ (44,160)

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 consisted of the following:

	Sewage Disposal System Fund	Total Restricted Assets
Cash and cash equivalents	\$ 37,659	\$ 37,659
Special assessment receivables	21,056	21,056
Total	\$ 58,715	\$ 58,715

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2020, which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) as a global health pandemic and recommended containment and mitigation measures worldwide. The State of Michigan implemented the Stay Home, Stay Safe initiative on March 23, 2020, in which non-essential businesses were ordered to close and residents encouraged to stay home. This initiative remained in effect through June 8, 2020 for most businesses, with some remaining closed through June 15, 2020.

The Village is assessing the impact of this pandemic and the subsequent containment measures but believes the response could lead to a decrease in property tax collections, reduction in state revenue sharing and investment earnings.

Management has determined that the Village does not have any other material recognizable or unrecognizable events.

VILLAGE OF PINCKNEY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 12 - IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

During May, 2014, the FASB issued "Accounting Standards Update" (ASU) 2014-09, "Revenue from Contracts with Customers" (Topic 606). ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration received in exchange for those goods or services. During August, 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect reorganized as of the date of initial application. The aforementioned ASU's are codified as "Accounting Standards Codification" (ASC) Topic 606 "Revenue from Contracts with Customers."

Under ASU 2014-09, revenue is recorded when: (i) a contract with a customer has been identified, (ii) the performance obligation(s) in the contract have been identified, (iii) the transaction price has been determined, (iv) the transaction price has been allocated to each performance obligation in the contract, and (v) the Village has satisfied the applicable performance obligation(s). The expenses that are directly related to such transactions are recorded as incurred and presented within operating expenses. Revenue associated with the reimbursement of such expenses is recorded when the Village is contractually entitled to the reimbursement.

The Village adopted this Standard on June 30, 2019. For the year ended June 30, 2020, the Village has determined this has had no material impact on the financial statement.

NOTE 13 - UPCOMING GASB PRONOUNCEMENTS

GASB 84 – FIDUCIARY ACTIVITIES

The Governmental Accounting Standards Board (GASB) issued Standard No. 84 "Fiduciary Activities" to establish criteria for identifying fiduciary activities for all state and local governments. Activities meeting the criteria for a fiduciary activity should be presented in a separate statement of fiduciary net position and statement of changes in fiduciary net position. The standard establishes four types of fiduciary funds: pension and other employment benefit 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, 2021.

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, 2020

NOTE 13 - UPCOMING GASB 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, 2022.

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 Standard 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, 2022.

OTHER GASB 89 STANDARDS

In addition to the above Standards, GASB has issued Standards No. 88, 90, 91, 92, 93, and 94. The Village has considered these standards and determined that they will not have any material impact on the Village's financial statements.

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, 2020

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 585,810	\$ 585,810	\$ 603,508	\$ 17,698
State shared revenues	218,000	218,000	209,601	(8,399)
PPT reimbursement	1,200	1,200	1,593	393
Charges for services	184,009	184,009	176,052	(7,957)
Charges to other governments and funds	51,000	51,000	58,095	7,095
Grants	59,140	59,140	19,267	(39,873)
Rents	70,000	70,000	97,735	27,735
Licenses, fines and permits	12,450	12,450	37,212	24,762
Franchise and liquor control fees	19,000	19,000	19,224	224
Interest	6,000	6,000	13,314	7,314
Miscellaneous income	10,200	10,200	15,286	5,086
Total revenues	1,216,809	1,216,809	1,250,887	34,078
EXPENDITURES				
Village council	15,154	15,154	11,075	4,079
President	5,699	5,699	5,051	648
Clerk	89,548	65,548	64,728	820
Auditors	4,000	4,000	4,000	
Secretary	19,905	19,905	19,780	125
Treasurer	5,456	7,456	7,175	281
Buildings and grounds	51,923	51,923	25,942	25,981
Legal	12,500	12,500	6,858	5,642
Office overhead	47,097	86,097	88,732	(2,635)
Police	513,914	513,914	489,254	24,660
Public works	335,395	335,395	316,479	18,916
Street lights	12,000	12,000	11,996	4
Refuse, leaf, brush	163,855	163,855	157,126	6,729
Planning commission	18,869	18,869	14,037	4,832
Zoning administrator	44,103	42,103	41,449	654
Economic development	3,900	3,900	2,500	1,400
Parks and recreation	47,299	47,299	26,626	20,673
Total expenditures	1,390,617	1,405,617	1,292,808	112,809
Excess of revenues over (under) expenditures	(173,808)	(188,808)	(41,921)	146,887
OTHER FINANCING SOURCES				
Transfers (out)	(13,061)	(13,061)	(13,061)	
Net change in fund balance	(186,869)	(201,869)	(54,982)	146,887
FUND BALANCE, JULY 1, 2019	1,257,091	1,257,091	1,257,091	
FUND BALANCE, JUNE 30, 2020	\$ 1,070,222	\$ 1,055,222	\$ 1,202,109	\$ 146,887

VILLAGE OF PINCKNEY

MAJOR STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$ 173,802	\$
Interest			4,591	
Total revenues	<u>173,006</u>	<u>173,006</u>	<u>178,393</u>	<u>5,387</u>
EXPENDITURES				
Labor			10,032	
Contracted services			7,990	
Repairs and maintenance			4,365	
Charges from other funds			4,253	
Other			2,246	
Total expenditures	<u>86,951</u>	<u>86,951</u>	<u>28,886</u>	<u>58,065</u>
Excess of revenues over (under) expenditures	86,055	86,055	149,507	63,452
OTHER FINANCING (USES)				
Transfers (out)	<u>(85,000)</u>	<u>(85,000)</u>	<u>(86,000)</u>	<u>(1,000)</u>
Net change in fund balance	1,055	1,055	63,507	62,452
FUND BALANCE, JULY 1, 2019	<u>544,095</u>	<u>544,095</u>	<u>544,095</u>	
FUND BALANCE, JUNE 30, 2020	<u>\$ 545,150</u>	<u>\$ 545,150</u>	<u>\$ 607,602</u>	<u>\$ 62,452</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, 2020

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental	\$	\$	\$ 74,144	\$
Interest			1,760	
Miscellaneous income			4,588	
Total revenues	<u>72,763</u>	<u>72,763</u>	<u>80,492</u>	<u>7,729</u>
EXPENDITURES				
Labor			21,829	
Contracted services			22,504	
Repairs and maintenance			296,578	
Charges from other funds			9,850	
Other			2,712	
Total expenditures	<u>275,996</u>	<u>344,996</u>	<u>353,473</u>	<u>(8,477)</u>
Excess of revenues over (under) expenditures	<u>(203,233)</u>	<u>(272,233)</u>	<u>(272,981)</u>	<u>(748)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>260,000</u>	<u>260,000</u>	<u>261,000</u>	<u>1,000</u>
Net change in fund balance	<u>56,767</u>	<u>(12,233)</u>	<u>(11,981)</u>	<u>252</u>
FUND BALANCE, JULY 1, 2019	<u>467,571</u>	<u>467,571</u>	<u>467,571</u>	
FUND BALANCE, JUNE 30, 2020	<u>\$ 524,338</u>	<u>\$ 455,338</u>	<u>\$ 455,590</u>	<u>\$ 252</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, 2020

	Budget Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$	\$	\$ 285,519	\$
PPT reimbursement			766	
Licenses, fines and permits			3,000	
Interest			3,383	
Right of way fees			8,768	
Total revenues	<u>328,800</u>	<u>328,800</u>	<u>301,436</u>	<u>(27,364)</u>
EXPENDITURES				
Other			34,923	
Debt service - principal			30,000	
Debt service - interest			9,500	
Total expenditures	<u>105,012</u>	<u>105,012</u>	<u>74,423</u>	<u>30,589</u>
Excess of revenues over (under) expenditures	223,788	223,788	227,013	3,225
OTHER FINANCING SOURCES				
Transfer (out)	<u>(175,000)</u>	<u>(175,000)</u>	<u>(175,000)</u>	
Net change in fund balance	48,788	48,788	52,013	3,225
FUND BALANCE, JULY 1, 2019	<u>502,123</u>	<u>502,123</u>	<u>502,123</u>	
FUND BALANCE, JUNE 30, 2020	<u>\$ 550,911</u>	<u>\$ 550,911</u>	<u>\$ 554,136</u>	<u>\$ 3,225</u>

VILLAGE OF PINCKNEY

**DEFINED BENEFIT PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020**

	For the plan year ended December 31,				
	2019	2018	2017	2016	2015
Actuarial Determined Contributions	\$ 111,236	\$ 100,399	\$ 77,670	\$ 79,836	\$ 68,440
Contributions in relation to the actuarially determined contribution	118,502	110,949	88,011	79,836	68,440
Contribution deficiency (excess)	<u>\$ (7,266)</u>	<u>\$ (10,550)</u>	<u>\$ (10,341)</u>	<u>\$</u>	<u>\$</u>
Covered employee payroll	<u>\$ 611,505</u>	<u>\$ 541,600</u>	<u>\$ 567,344</u>	<u>\$ 541,924</u>	<u>\$ 549,265</u>
Contributions as a percentage of covered employee payroll	<u>19.38%</u>	<u>20.49%</u>	<u>15.51%</u>	<u>14.73%</u>	<u>12.46%</u>

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	3.00%
Investment rate of return	7.35%
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, 2020

	Schedule of Changes in the Employer's Net Position Liability and Related Ratios for the Plan Year Ended December 31,				
	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY					
Service cost	\$ 85,855	\$ 75,337	\$ 82,549	\$ 76,845	\$ 75,304
Interest	243,647	243,948	227,771	205,333	198,745
Changes of benefit terms					
Difference between expected and actual experience	22,103	(23,278)	36,896	114,412	(150,782)
Changes of assumptions	127,104				135,877
Benefit payments including employee refunds	(142,073)	(147,380)	(135,407)	(102,527)	(102,024)
Other	12,824				
Net change in total pension liability	<u>349,460</u>	<u>148,627</u>	<u>211,809</u>	<u>294,063</u>	<u>157,120</u>
TOTAL PENSION LIABILITY BEGINNING	<u>3,234,001</u>	<u>3,085,374</u>	<u>2,873,565</u>	<u>2,579,502</u>	<u>2,422,382</u>
TOTAL PENSION LIABILITY ENDING	<u>\$ 3,583,461</u>	<u>\$ 3,234,001</u>	<u>\$ 3,085,374</u>	<u>\$ 2,873,565</u>	<u>\$ 2,579,502</u>
PLAN FIDUCIARY NET POSITION					
Contributions-employer	\$ 118,501	\$ 110,949	\$ 88,011	\$ 79,836	\$ 68,440
Contributions-employee	25,681	24,813	22,430	23,380	21,844
Net Investment income	351,420	(106,738)	318,889	248,725	(33,959)
Benefit payments including employee refunds	(142,073)	(147,380)	(135,407)	(102,527)	(102,024)
Administrative expense	(6,057)	(5,247)	(5,045)	(4,905)	(4,900)
Net Change in Plan Fiduciary Net Position	<u>347,472</u>	<u>(123,603)</u>	<u>288,878</u>	<u>244,509</u>	<u>(50,599)</u>
PLAN FIDUCIARY NET POSITION BEGINNING	<u>2,571,174</u>	<u>2,694,777</u>	<u>2,405,899</u>	<u>2,161,390</u>	<u>2,211,989</u>
PLAN FIDUCIARY NET POSITION ENDING	<u>\$ 2,918,646</u>	<u>\$ 2,571,174</u>	<u>\$ 2,694,777</u>	<u>\$ 2,405,899</u>	<u>\$ 2,161,390</u>
EMPLOYER NET PENSION LIABILITY	<u>\$ 664,815</u>	<u>\$ 662,827</u>	<u>\$ 390,597</u>	<u>\$ 467,666</u>	<u>\$ 418,112</u>
Plan fiduciary net position as a percentage of the total pension liability	81.4%	79.5%	87.3%	83.7%	83.8%
Covered employee payroll	\$ 611,505	\$ 541,600	\$ 567,344	\$ 541,924	\$ 549,265
Employer's net pension liability as a percentage of covered employee payroll	108.7%	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, 2020

	For the Plan Year Ended June 30, 2020	For the Plan Year Ended June 30, 2019	For the Plan Year Ended June 30, 2018
Actuarially determined employer contribution			
Service cost with interest to June 30	\$ 4,188	\$ 4,076	\$ 4,076
Amortization of unfunded liability with interest to June 30	2,679	2,679	2,679
Actuarially determined employer contribution	6,867	6,755	6,755
Employer contribution		10,000	10,000
Contribution deficiency/(excess)	\$ 6,867	\$ (3,245)	\$ (3,245)
Covered employee payroll	\$ 305,923	\$ 292,525	\$ 284,696
Employer contributions as a percentage of covered payroll	0.0%	3.4%	3.5%

Notes to the schedule of contributions:

Valuation Date:	June 30, 2020
Actuarial methods:	Cost method: Entry Age Normal (level percentage of compensation). Amortization period: 20 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: Pub-2010 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, 2020

	For the Plan Year Ended June 30, 2020	For the Plan Year Ended June 30, 2019	For the Plan Year Ended June 30, 2018
TOTAL OPEB LIABILITY			
Service cost	\$ 4,066	\$ 3,957	\$ 9,867
Interest	8,121	7,435	9,812
Differences between expected and actual experience	2,117		(38,600)
Changes of assumptions	(26,273)		(8,290)
Benefit payments, including refunds of employee contributions			(18,909)
Net change in total OPEB liability	(11,969)	11,392	(46,120)
TOTAL OPEB LIABILITY - BEGINNING	133,317	121,925	168,045
TOTAL OPEB LIABILITY - ENDING	<u>\$ 121,348</u>	<u>\$ 133,317</u>	<u>\$ 121,925</u>
PLAN FIDUCIARY NET POSITION			
Contributions to OPEB trust	\$	\$ 10,000	\$ 10,000
Net investment income	6,485	8,718	(431)
Differences between projected and actual earnings	(3,961)		
Benefit payments, including refunds of employee contributions			(18,909)
Administrative expenses	(198)	(201)	(223)
Net change in fiduciary net position	2,326	18,517	(9,563)
PLAN FIDUCIARY NET POSITION, BEGINNING	108,183	89,666	99,229
PLAN FIDUCIARY NET POSITION, ENDING	<u>\$ 110,509</u>	<u>\$ 108,183</u>	<u>\$ 89,666</u>
NET OPEB LIABILITY (ASSET)			
(TOTAL OPEB LIABILITY - PLAN FIDUCIARY NET POSITION)	<u>\$ 10,839</u>	<u>\$ 25,134</u>	<u>\$ 32,259</u>
Plan fiduciary net position as a percentage of total OPEB liability	<u>91.07%</u>	<u>81.15%</u>	<u>73.54%</u>
Covered employee payroll	<u>\$ 305,923</u>	<u>\$ 292,525</u>	<u>\$ 284,696</u>
Net OPEB liability (asset) as a percentage of covered employee payroll	<u>3.54%</u>	<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 FINANCIAL STATEMENTS

VILLAGE OF PINCKNEY
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>Cemetery Fund</u>	<u>Police Training Fund</u>	<u>Total</u>
Assets			
Cash and investments	\$ 168,644	\$ 1,418	\$ 170,062
Prepaid expenditures	<u>317</u>		<u>317</u>
Total assets	<u>\$ 168,961</u>	<u>\$ 1,418</u>	<u>\$ 170,379</u>
Liabilities			
Accounts payable and accrued Expenditures	<u>\$ 512</u>	<u>\$</u>	<u>\$ 512</u>
Fund Balances			
Nonspendable			
Prepaid items	317		317
Corpus of permanent fund	39,232		39,232
Restricted			
Public safety		1,418	1,418
Committed			
Cemetery	<u>128,900</u>		<u>128,900</u>
Total fund balances	<u>168,449</u>	<u>1,418</u>	<u>169,867</u>
Total liabilities and fund balances	<u>\$ 168,961</u>	<u>\$ 1,418</u>	<u>\$ 170,379</u>

VILLAGE OF PINCKNEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Cemetery Fund	Police Training Fund	Total
REVENUES			
Charges for services	\$ 12,050	\$	\$ 12,050
Grants		447	447
Interest income	1,328	2	1,330
Total revenues	<u>13,378</u>	<u>449</u>	<u>13,827</u>
EXPENDITURES			
Current:			
Public safety		447	447
Cemetery	13,402		13,402
Total expenditures	<u>13,402</u>	<u>447</u>	<u>13,849</u>
Excess of revenues over (under) expenditures	(24)	2	(22)
OTHER FINANCING SOURCES			
Transfers in	13,061		13,061
Net change in fund balances	13,037	2	13,039
FUND BALANCE, JULY 1, 2019	<u>155,412</u>	<u>1,416</u>	<u>156,828</u>
FUND BALANCE, JUNE 30, 2020	<u>\$ 168,449</u>	<u>\$ 1,418</u>	<u>\$ 169,867</u>

**FUND FINANCIAL STATEMENTS
OF COMPONENT UNIT**

**DOWNTOWN DEVELOPMENT AUTHORITY
FUND FINANCIAL STATEMENTS**

VILLAGE OF PINCKNEY

DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
JUNE 30, 2020

ASSETS

Cash and investments \$ 142,168

LIABILITIES

Accounts payable \$ 3,602

Accrued expenditures 135

Total liabilities \$ 3,737

FUND BALANCE

138,431

Total liabilities and fund balance \$ 142,168

VILLAGE OF PINCKNEY

DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES

Property taxes	\$ 135,261
Charges for services	4,386
State revenues	4,240
Interest income	<u>642</u>

Total revenues 144,529

EXPENDITURES

Recreation and culture	66,424
Debt service - principal	40,000
Debt service - interest	<u>440</u>

Total expenditures 106,864

Net change in fund balance 37,665

FUND BALANCE, JULY 1, 2019 100,766

FUND BALANCE, JUNE 30, 2020 \$ 138,431