

**CITY OF PINCONNING**  
BAY COUNTY  
STATE OF MICHIGAN

FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
FISCAL YEAR ENDED JUNE 30, 2023

**CITY OF PINCONNING**

**CITY OFFICIALS - As of June 30, 2023**

Mayor	Sheri Boettcher
City Manager	Rebecca Lakin
Mayor Pro-Term	Stephanie Chant
Council Member	Robin Wiess
Council Member	Becky Lesniak
Council Member	Patrick Johnson
Council Member	Kristin Boetefuer
Council Member	Chris Kuehne
City Treasurer	Amy Bromberg

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**CERTIFIED PUBLIC ACCOUNTANTS**

*Partners:*

*Timothy J. Quast, C.P.A.  
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Robert E. Friske, C.P.A.*

*Members:*

*American Institute of C.P.A.'s  
Michigan Association of C.P.A.'s*

## **INDEPENDENT AUDITOR'S REPORT**

To the City Council  
The City of Pinconning  
208 Manitou Street  
Pinconning, Michigan 48650

### **Report on the Audit of the Financial Statements**

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business – type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Pinconning, State of Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Pinconning's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pinconning, as of June 30, 2023, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Pinconning, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management 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.

To the City Council  
The City of Pinconning

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pinconning's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Pinconning's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pinconning's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Employer's Contributions, on pages 4-8 and 37-41 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

To the City Council  
The City of Pinconning

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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pinconning's basic financial statements. The Downtown Development Authority statements and schedules, the general fund statements, the general fund detail of expenditures, and the indebtedness schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Downtown Development Authority statements and schedules, the general fund statements, the general fund detail of expenditures, and the indebtedness schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of the City of Pinconning's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Pinconning's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pinconning's internal control over financial reporting and compliance.

QUAST, JANKE AND COMPANY



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Quast, Janke & Co., C.P.A.'s  
Bay City, MI 48708  
December 8, 2023

CITY OF PINCONNING  
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023

This section of the City of Pinconning's annual Financial Report presents Management's Discussion and Analysis (MD&A) of the City's financial activities during the fiscal year ended June 30, 2023. The analysis focuses on the City's financial performance as a whole. Please read it in conjunction with the City's financial statements, which immediately follow this section.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Pinconning exceeded liabilities and deferred inflows at June 30, 2023, by \$3,035,833. Of this amount, \$380,333 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position decreased by \$441,154 during the year. Of this amount, the net position of the governmental activities decreased by \$327,061 and the net position of the business-type activities decreased by \$114,093.

### USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- *Management's Discussion and Analysis* (MD&A) introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- *Government-wide Financial Statements* consists of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. The Fund Financial Statement reports the City's operations in more detail than the Government-wide Statements by providing information about the most significant funds.
- *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- *Required Supplementary Information*, other than MD&A, provides information about the required budgetary comparison information and pension funding progress.
- *Other Supplementary Information* provides detailed information about the General Fund and Debt Schedules.

### REPORTING THE CITY AS A WHOLE

The *Statement of Net Position*, the *Statement of Activities* and the *Government-wide Statements* report information about the City as a whole using accounting methods similar to those used by private sector companies. The *Statement of Net Position* includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is: Is the City as a whole better or worse off as a result of the year's activities? The *Statement of Net Position* and the *Statement of Activities* report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. The two statements report the City's net position, which is the difference between assets and liabilities, as one way to measure



CITY OF PINCONNING  
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023

the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the City's property tax base and the condition of the City's infrastructure are also important in making this decision.

In the Statement of Net Position and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, such as public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business-Type Activities** - This activity includes the water and sewer operations. This activity is financed primarily by user charges.

### REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The *Fund Financial Statements* provide detailed information about individual, significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to control and manage money for particular purposes (such as construction or street projects) and to show that it is properly using certain revenues (such as tax increment financing revenues). The City has three kinds of funds:

#### Governmental Funds

The *Governmental Funds* account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental Funds include the General Fund, Special Revenue Funds such as Major Street, Local Street and a discretely presented component unit, the Downtown Development Authority. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash.

The Government Fund Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental Fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The financial statements required for Governmental Funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

#### Proprietary Funds

*Proprietary Funds* account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the Proprietary Fund and the Business-Type Activities included in the Government-wide Statement is the detail and additional information, such as cash flows, provided in the Proprietary

CITY OF PINCONNING  
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023

Fund Statements. The Enterprise Fund includes the Water and Sewer Funds, and are considered to be major funds of the City. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The financial statements required for Proprietary Funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position and a Statement of Cash Flows.

**Fiduciary Funds**

Fiduciary Funds are used to report assets held by a trustee or agency capacity for others and, therefore, are not available to support City programs. The reporting focus is on net position and changes in net position, and is reported using accounting principles similar to Proprietary Funds. The City's Fiduciary Funds are presented in the Fiduciary Fund financial statements by type, Tax Collection Fund. Because by definition these assets are being held for the benefit of a third party, pension participants and other local governments, and cannot be used to address activities or obligations of the government, these funds are not incorporated into the Government-Wide Statements.

**GOVERNMENT- WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of financial position. The following analysis shows the City's total changes in net position at June 30, 2023 and 2022.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current and other assets	\$ 1,615,788	\$ 1,822,780	\$ 545,907	\$ 797,958	\$ 2,161,695	\$ 2,620,738
Capital assets net of accumulated depreciation	<u>478,272</u>	<u>528,920</u>	<u>3,552,614</u>	<u>3,685,170</u>	<u>4,030,886</u>	<u>4,214,090</u>
Total Assets	2,094,060	2,351,700	4,098,521	4,483,128	6,192,581	6,834,828
Deferred outflows of resources	126,230	7,160	14,027	796	140,257	7,956
<b>LIABILITIES</b>						
Current liabilities	316,184	42,547	20,168	82,041	336,352	124,588
Long-term liabilities	<u>1,022,342</u>	<u>910,746</u>	<u>1,864,593</u>	<u>2,090,195</u>	<u>2,886,935</u>	<u>3,000,941</u>
Total Liabilities	1,338,526	953,293	1,884,761	2,172,236	3,223,287	3,125,529
Deferred outflows of resources	66,272	263,013	7,446	47,351	73,718	-
<b>NET POSITION</b>						
Invested in capital assets net of related debt	478,272	528,920	1,801,614	1,746,170	2,279,886	2,275,090
Restricted	375,614	800,568	-	252,717	375,614	1,053,285
Unrestricted	<u>(38,394)</u>	<u>(186,934)</u>	<u>418,727</u>	<u>322,467</u>	<u>380,333</u>	<u>135,533</u>
Total Net Position	\$ <u>815,492</u>	\$ <u>1,142,554</u>	\$ <u>2,220,341</u>	\$ <u>2,321,354</u>	\$ <u>3,035,833</u>	\$ <u>3,463,908</u>

The largest portion of the City's net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

**CITY OF PINCONNING**  
**Bay County, Michigan**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

Total unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately \$380,333.

The following analysis provides the changes in the net position for the City's Governmental and Business-Type Activities:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>REVENUES</b>						
Charges for services	\$ 82,501	\$ 107,459	\$ 718,723	\$ 772,721	\$ 801,224	\$ 880,180
Operating grants and contributions	227,294	203,886	0	0	227,294	203,886
Capital grants and contributions	134,441	6,000	45,000	50,207	179,441	56,207
<b>GENERAL REVENUES</b>						
Property taxes	498,911	500,766	0	0	498,911	500,766
State shared revenue	162,005	325,599	0	0	162,005	325,599
Unrestricted investment earnings	38,053	4,881	127	797	38,180	5,678
Other	20,872	(26,515)	0	40,000	20,872	13,485
<b>Total Revenues</b>	<b>1,164,077</b>	<b>1,122,076</b>	<b>763,850</b>	<b>863,725</b>	<b>1,927,927</b>	<b>1,985,801</b>
<b>PROGRAM EXPENSES</b>						
Legislative	17,007	6,931	0	0	17,007	6,931
General government	368,107	417,791	0	0	368,107	417,791
Public safety	158,651	179,034	0	0	158,651	179,034
Health and welfare	35,235	42,622	0	0	35,235	42,622
Streets and highways	640,038	103,812	0	0	640,038	103,812
Public Works	267,786	312,817	0	0	267,786	312,817
Unallocated	0	0	0	0	0	0
Recreation	0	3,951	0	0	0	3,951
Water and sewer	0	0	877,942	871,393	877,942	871,393
<b>Total Expenses</b>	<b>1,486,824</b>	<b>1,066,958</b>	<b>877,942</b>	<b>871,393</b>	<b>2,364,766</b>	<b>1,938,351</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ (322,747)</b>	<b>\$ 55,118</b>	<b>\$ (114,092)</b>	<b>\$ (7,668)</b>	<b>\$ (436,839)</b>	<b>\$ 47,450</b>

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Pinconning completed its year, its Governmental Funds reported total fund balances of \$1,233,322 which is less than the \$1,603,276 total fund balance at June 30, 2022.

- The General Fund, the operating fund for the City, ended fiscal year 2023 with a \$857,718 balance compared to the prior year ending fund balance of \$802,708.
- Major Street Fund Balance decreased by \$260,788.
- Local Street Fund Balance decreased by \$164,165.

**INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

As the City of Pinconning completed its year, its Business-Type Funds reported total net position of \$2,220,341 which is less than the \$2,321,354 total net position at June 30, 2022.

CITY OF PINCONNING  
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023

**BUDGETARY HIGHLIGHTS**

During the year ended June 30, 2023, the City amended the budget several times. The amendments were done to cover unbudgeted expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The City's investment in capital assets, including land, buildings and improvements, equipment, water systems, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for Governmental Activities totaled \$478,272 (net of accumulated depreciation) at June 30, 2023. Capital assets for Business-type Activities totaled \$3,552,614 (net of accumulated depreciation) at June 30, 2023. See Note 4 of the Financial Statements for more information about the City's capital assets. There were no additions for the year.

**LONG-TERM DEBT**

At year end, the City had \$1,751,000 in outstanding revenue bonds. All debt is in the business-type activities and is detailed below:

Sewer Fund - Revenue Bond issued to improve, enlarge, and extend the City's water and sewer system.

Original issue 1996 – Series A	\$ 1,863,000
Balance June 30, 2023	1,751,000

**ECONOMIC FACTORS**

Our elected officials consider many factors when setting the City's 2023 fiscal year budget. One of the most important factors affecting the budget is the State of Michigan's economy. The City's Council has tried to spend conservatively. Costs for health care, insurance and utilities continue to rise. The City maintains its facilities but struggles to provide services to its citizens at the same level as past years. Growth in the City has been slow, but the City hopes for new business and industry. Expanding our tax base past single-family homes and increasing water and sewer users is a prime objective.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact Administration at the City of Pinconning, 208 Manitou, P.O. Box 628, Pinconning, MI 48650.

CITY OF PINCONNING  
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION  
June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business -Type Activities	Total	
<b>ASSETS:</b>				
Cash	\$ 1,478,032.76	\$ 375,358.43	\$ 1,853,391.19	\$ 45,691.02
Delinquent taxes receivable	0.00	0.00	0.00	0.00
Other receivables	64,459.63	166,377.23	230,836.86	19,126.83
Prepaid	0.00	0.00	0.00	0.00
Inventory	0.00	4,171.69	4,171.69	0.00
Receivable from state	58,878.93	0.00	58,878.93	0.00
Due from component unit	14,416.53	0.00	14,416.53	0.00
Capital assets:				
Land	25,000.00	50,000.00	75,000.00	5,000.00
Buildings and improvements	955,204.00	3,452,333.64	4,407,537.64	140,015.91
Infrastructure	637,852.91	0.00	637,852.91	0.00
Equipment	852,279.41	219,095.98	1,071,375.39	3,100.00
Water and sewer systems	0.00	4,026,272.36	4,026,272.36	0.00
Accumulated depreciation	(1,992,064.21)	(4,195,088.28)	(6,187,152.49)	(94,569.36)
Total Assets	2,094,059.96	4,098,521.05	6,192,581.01	118,364.40
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pension	126,230.00	14,027.00	140,257.00	0.00
<b>LIABILITIES:</b>				
Accounts payable	269,826.39	9,083.24	278,909.63	0.00
Accrued expenses	12,814.08	11,085.17	23,899.25	0.00
Due to other funds	0.00	0.00	0.00	0.00
Due to other units	33,543.36	0.00	33,543.36	14,452.89
Customer deposits	0.00	0.00	0.00	0.00
Net pension liability	1,022,342.00	113,593.00	1,135,935.00	0.00
Notes and bonds payable				
Amount due within one year	0.00	105,000.00	105,000.00	0.00
Amount due more than one year	0.00	1,646,000.00	1,646,000.00	0.00
Total Liabilities	1,338,525.83	1,884,761.41	3,223,287.24	14,452.89
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to grants	66,272.00	7,446.00	73,718.00	5,500.00
<b>NET POSITION:</b>				
Investment in capital assets net of related debt	478,272.11	1,801,613.70	2,279,885.81	53,546.55
Restricted major and local streets	375,614.19	0.00	375,614.19	0.00
Restricted for debt service	0.00	0.00	0.00	0.00
Unrestricted	(38,394.17)	418,726.94	380,332.77	44,864.96
Total Net Position	\$ 815,492.13	\$ 2,220,340.64	\$ 3,035,832.77	\$ 98,411.51

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING  
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
<b>GOVERNMENTAL ACTIVITIES:</b>								
Legislative	\$ 17,007.09	\$ 0.00	\$ 0.00	\$ 0.00	\$ (17,007.09)	\$ 0.00	\$ (17,007.09)	\$ 0.00
General government	368,106.72	6,568.99	19,447.93	129,440.72	(212,649.08)	0.00	(212,649.08)	0.00
Public safety	158,650.76	35,250.67	0.00	0.00	(123,400.09)	0.00	(123,400.09)	0.00
Health and Welfare	35,235.43	40,681.37	0.00	0.00	5,445.94	0.00	5,445.94	0.00
Streets and highways	640,037.58	0.00	194,811.72	0.00	(445,225.86)	0.00	(445,225.86)	0.00
Public works	267,786.02	0.00	6,512.24	0.00	(261,273.78)	0.00	(261,273.78)	0.00
Recreation and cultural	4,314.57	0.00	6,522.40	5,000.00	7,207.83	0.00	7,207.83	0.00
Total governmental activities	1,491,138.17	82,501.03	227,294.29	134,440.72	(1,046,902.13)	0.00	(1,046,902.13)	0.00
<b>BUSINESS-TYPE ACTIVITIES</b>								
Water	276,574.20	285,633.45	0.00	45,000.00	0.00	54,059.25	54,059.25	0.00
Sewer	601,368.18	433,089.34	13,079.14	0.00	0.00	(155,199.70)	(155,199.70)	0.00
Total Business-Type Activities	877,942.38	718,722.79	13,079.14	45,000.00	0.00	(101,140.45)	(101,140.45)	0.00
Total Primary Government	\$ 2,369,080.55	\$ 801,223.82	\$ 240,373.43	\$ 179,440.72	(1,046,902.13)	(101,140.45)	(1,148,042.58)	0.00
<b>COMPONENT UNIT:</b>								
Downtown Development Authority	58,826.55	1,540.00	0.00	0.00				(57,286.55)
<b>GENERAL PURPOSE REVENUES:</b>								
Property taxes - operating					375,931.36	0.00	375,931.36	64,133.60
Special assessment - refuse					122,980.25	0.00	122,980.25	0.00
State shared revenues					162,005.00	0.00	162,005.00	0.00
Unrestricted investment earnings					38,052.94	126.73	38,179.67	85.56
Rental					11,800.00	0.00	11,800.00	0.00
Other					9,071.63	0.00	9,071.63	0.00
Total General Purpose Revenues and Transfers					719,841.18	126.73	719,967.91	64,219.16
Change in Net Position					(327,060.95)	(101,013.72)	(428,074.67)	6,932.61
Net Position - Beginning of Year					1,142,554.08	2,321,354.36	3,463,908.44	91,478.90
Net Position - End of Year					\$ 815,493.13	\$ 2,220,340.64	\$ 3,035,833.77	\$ 98,411.51

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING  
Bay County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2023

	GENERAL	MAJOR STREETS	LOCAL STREETS	TOTAL
<b>ASSETS:</b>				
Cash	\$ 884,680.27	\$ 394,355.28	\$ 198,997.21	\$ 1,478,032.76
Delinquent taxes receivable	0.00	0.00	0.00	0.00
Other receivables	64,459.63	0.00	0.00	64,459.63
Current taxes receivable	0.00	0.00	0.00	0.00
Overpaid payroll taxes	0.00	0.00	0.00	0.00
Due from component unit	14,416.53	0.00	0.00	14,416.53
Due from state	25,839.00	24,681.96	8,357.97	58,878.93
Total Assets	\$ 989,395.43	\$ 419,037.24	\$ 207,355.18	\$ 1,615,787.85
<b>LIABILITIES:</b>				
Accounts payable	\$ 21,103.61	\$ 137,163.51	\$ 111,559.27	\$ 269,826.39
Unearned revenue	66,272.00	0.00	0.00	66,272.00
Accrued expenses	10,758.63	1,574.95	480.50	12,814.08
Due to local unit	33,543.36	0.00	0.00	33,543.36
Due to other funds	0.00	0.00	0.00	0.00
Total Liabilities	131,677.60	138,738.46	112,039.77	382,455.83
<b>FUND BALANCES:</b>				
Nonspendable	0.00	0.00	0.00	0.00
Restricted for capital projects	0.00	0.00	0.00	0.00
Restricted for streets	0.00	280,298.78	95,315.41	375,614.19
Assigned	0.00	0.00	0.00	0.00
Unassigned	857,717.83	0.00	0.00	857,717.83
Total Fund Balances	857,717.83	280,298.78	95,315.41	1,233,332.02
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 989,395.43</b>	<b>\$ 419,037.24</b>	<b>\$ 207,355.18</b>	<b>\$ 1,615,787.85</b>

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING  
Bay County, Michigan

GOVERNMENTAL FUNDS  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION  
June 30, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,233,332.02
Amounts reported for Governmental Activities in the Statement of Net Position are different because -		
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Governmental Funds Balance Sheet:		
Capital assets at cost		2,470,336.32
Accumulated depreciation		(1,992,064.21)
Deferred outflow of resources		126,230.00
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds		
Net pension liability		(1,022,342.00)
Deferred inflow of resources		<u>(66,272.00)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u><u>749,220.13</u></u>

The accompanying notes are an integral part of the financial statements.



CITY OF PINCONNING  
Bay County, Michigan

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
June 30, 2023

	GENERAL	MAJOR STREETS	LOCAL STREETS	TOTAL
REVENUES:				
Taxes	\$ 539,592.98	\$ 0.00	\$ 0.00	\$ 539,592.98
State and federal grants	160,400.89	145,560.07	49,251.65	355,212.61
State revenue sharing	162,005.00	0.00	0.00	162,005.00
License and permits	1,165.00	0.00	0.00	1,165.00
Charges for services	40,045.67	0.00	0.00	40,045.67
Interest and rentals	58,924.57	0.00	0.00	58,924.57
Other revenue	7,131.39	0.00	0.00	7,131.39
Total Revenues	969,265.50	145,560.07	49,251.65	1,164,077.22
EXPENDITURES:				
Legislative	17,007.09	0.00	0.00	17,007.09
General government	427,082.75	0.00	0.00	427,082.75
Public safety	154,150.84	0.00	0.00	154,150.84
Health and welfare	35,235.43	0.00	0.00	35,235.43
Public works	277,040.17	338,476.39	281,288.93	896,805.49
Cultural and recreation	3,739.57	0.00	0.00	3,739.57
Capital outlay	0.00	0.00	0.00	0.00
Unallocated	0.00	0.00	0.00	0.00
Total Expenditures	914,255.85	338,476.39	281,288.93	1,534,021.17
EXCESS OF REVENUES OVER EXPENDITURES	55,009.65	(192,916.32)	(232,037.28)	(369,943.95)
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	0.00	0.00	67,872.09	67,872.09
Transfer to other funds	0.00	(67,872.09)	0.00	(67,872.09)
Total Other Financing Sources (Uses)	0.00	(67,872.09)	67,872.09	0.00
NET CHANGE IN FUND BALANCES	55,009.65	(260,788.41)	(164,165.19)	(369,943.95)
FUND BALANCE - BEGINNING	802,708.18	541,087.19	259,480.60	1,603,275.97
FUND BALANCE - ENDING	\$ 857,717.83	\$ 280,298.78	\$ 95,315.41	\$ 1,233,332.02

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING  
Bay County, Michigan

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (369,943.95)
Amounts reported for Governmental Activities in the Statement of Activities are different because -	
Governmental Funds report capital outlays as expenditures while in the statement of activities, these costs are allocated over their estimated lives as depreciation expense.	
Depreciation expense	(50,648.00)
Capital asset purchases capitalized	0.00
Change in net pension liability and related deferred in/outflows	
Pension expense	(93,531.00)
Repayment of debt principal is an expenditure in the Governmental Funds, the repayment does not have an effect in the Statement of Activities but does reduce the debt balance in the Statement of Net Position.	
Principal payments on long-term debt	0.00
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u>(514,122.95)</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING  
Bay County, Michigan

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
WATER AND SEWER FUNDS  
June 30, 2023

	Major Enterprise Funds		Business-Type
	Water Fund	Sewer Fund	Activities Total
<u>ASSETS:</u>			
Current Assets:			
Common cash account	\$ 329,573.35	\$ 45,785.08	\$ 375,358.43
Accounts receivable	57,283.29	109,093.94	166,377.23
Grants receivable	0.00	0.00	0.00
Inventory	0.00	4,171.69	4,171.69
Prepays	0.00	0.00	0.00
Total Current Assets	386,856.64	159,050.71	545,907.35
Noncurrent Assets:			
Capital Assets:			
Land	0.00	50,000.00	50,000.00
Buildings and Improvements	0.00	3,452,333.64	3,452,333.64
Equipment	12,138.05	206,957.93	219,095.98
Water and sewer systems	1,143,647.65	2,882,624.71	4,026,272.36
Accumulated depreciation	(841,583.95)	(3,353,504.33)	(4,195,088.28)
Total Capital Assets	314,201.75	3,238,411.95	3,552,613.70
Total Noncurrent Assets	314,201.75	3,238,411.95	3,552,613.70
Total Assets	701,058.39	3,397,462.66	4,098,521.05
DEFERRED OUTFLOW OF RESOURCES	3,507.00	10,520.00	14,027.00
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts payable	\$ 1,233.29	\$ 7,849.95	\$ 9,083.24
Due to General Fund	0.00	0.00	0.00
Accrued expenses	1,421.26	9,663.91	11,085.17
Revenue bonds payable	0.00	105,000.00	105,000.00
Total Current Liabilities	2,654.55	122,513.86	125,168.41
Noncurrent Liabilities:			
Net pension liability	28,398.00	85,195.00	113,593.00
Revenue bonds payable	0.00	1,646,000.00	1,646,000.00
Total Noncurrent Liabilities	28,398.00	1,731,195.00	1,759,593.00
Total Liabilities	31,052.55	1,853,708.86	1,884,761.41
DEFERRED INFLOWS OF RESOURCES	0.00	7,446.00	7,446.00
<u>NET POSITION:</u>			
Invested in capital assets net of related debt	314,201.75	1,487,411.95	1,801,613.70
Restricted for debt retirement	0.00	0.00	0.00
Unrestricted	359,311.09	59,415.85	418,726.94
Total Net Position	\$ 673,512.84	\$ 1,546,827.80	\$ 2,220,340.64
Reconciliation of Government-Wide Statement of Net Position:			
Net Position of Business-Type Activities			\$ 2,220,340.64

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING  
Bay County, Michigan

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
WATER AND SEWER FUNDS  
Year Ended June 30, 2023

	Major Enterprise Funds		Business-Type
	Water Fund	Sewer Fund	Activities Total
<b>OPERATING REVENUES:</b>			
Charges for Services -			
Water charges	\$ 236,872.65	\$ 0.00	\$ 236,872.65
Sewer charges	0.00	429,167.95	429,167.95
Septic income	0.00	0.00	0.00
Hydrant rental	39,000.00	0.00	39,000.00
Late payment fees	3,316.08	3,921.39	7,237.47
Miscellaneous	6,444.72	0.00	6,444.72
Total Operating Revenues	285,633.45	433,089.34	718,722.79
<b>OPERATING EXPENSES:</b>			
Salaries	39,554.90	78,268.66	117,823.56
Fringes and taxes	34,348.08	26,609.09	60,957.17
Water - cost of goods sold	102,753.02	0.00	102,753.02
Contractual services	3,957.00	32,150.41	36,107.41
Supplies	5,494.98	15,551.58	21,046.56
Repairs and maintenance	58,114.17	62,497.74	120,611.91
Utilities	584.19	76,904.21	77,488.40
Insurance	0.00	0.00	0.00
Other	9,997.68	1,244.04	11,241.72
Depreciation	21,770.18	160,786.13	182,556.31
Total Operating Expenses	276,574.20	454,011.86	730,586.06
Operating Income	9,059.25	(20,922.52)	(11,863.27)
<b>NONOPERATING REVENUES(EXPENSES)</b>			
Interest income	0.00	126.73	126.73
Local grant	45,000.00	0.00	45,000.00
State grants	13,079.14	0.00	13,079.14
Loss on sale of capital asset	0.00	0.00	0.00
Interest expense	0.00	(147,356.32)	(147,356.32)
Total Nonoperating Revenues (Expenses)	58,079.14	(147,229.59)	(89,150.45)
Income before contributions and transfers	67,138.39	(168,152.11)	(101,013.72)
Transfers in	0.00	35,371.66	35,371.66
Transfers out	(35,371.66)	0.00	(35,371.66)
Total transfers in (out)	(35,371.66)	35,371.66	0.00
Change in Net Position	31,766.73	(132,780.45)	(101,013.72)
Net Position Beginning of Year	641,746.11	1,679,608.25	2,321,354.36
Net Position End of Year	\$ 673,512.84	\$ 1,546,827.80	\$ 2,220,340.64

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING  
Bay County, Michigan

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
WATER AND SEWER FUNDS  
Year Ended June 30, 2023

	Major Enterprise Funds		Business-Type
	Water	Sewer	Activities
	Fund	Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 245,528.95	\$ 429,320.03	\$ 674,848.98
Other operating cash receipts	39,000.00	0.00	39,000.00
Cash payments to suppliers for goods and services	(263,095.01)	(276,613.48)	(315,885.44)
Cash payments to employees for services	(39,271.96)	(77,040.82)	(340,135.83)
Net cash provided (used) by operating activities	(17,838.02)	75,665.73	57,827.71
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers from other funds	0.00	35,371.66	35,371.66
Transfers to other funds	(35,371.66)	0.00	(35,371.66)
Net cash provided (used) by noncapital financing activities	(35,371.66)	35,371.66	0.00
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	0.00	0.00	0.00
Capital grants	58,079.14	0.00	58,079.14
Proceeds from sale of capital assets	0.00	0.00	0.00
Interest paid on bonds	0.00	(147,356.32)	(147,356.32)
Principal payments on bonds	0.00	(238,000.00)	(238,000.00)
Change in net pension liability	3,099.00	9,299.00	12,398.00
Net cash provided (used) by capital and related financing activities	61,178.14	(376,057.32)	(327,277.18)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	0.00	126.73	126.73
Net increase (decrease) in cash	7,968.46	(264,893.20)	(269,322.74)
Cash and restricted cash beginning of year	321,604.89	310,678.28	632,283.17
Cash and restricted cash end of year	\$ 329,573.35	\$ 45,785.08	\$ 362,960.43
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Income (loss) from operations	\$ 9,059.25	\$ (20,922.52)	\$ (11,863.27)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	21,770.18	160,786.13	182,556.31
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,104.50)	(3,769.31)	(4,873.81)
(Increase) decrease in prepaids	7,017.44	0.00	7,017.44
(Increase) decrease in deferred in/outflows	(5,698.00)	(47,438.00)	(53,136.00)
Increase (decrease) in accounts payable	(49,165.33)	(11,556.48)	(60,721.81)
Increase (decrease) in accrued expenses	282.94	(1,434.09)	(1,151.15)
	(48,667.45)	96,588.25	69,690.98
Net Cash Provided (Used) in Operating Activities	\$ (17,838.02)	\$ 75,665.73	\$ 57,827.71

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING  
Bay County, Michigan

STATEMENT OF NET POSITION  
FIDUCIARY FUND  
June 30, 2022

	<u>TAX COLLECTION AGENCY FUND</u>
<u>ASSETS</u>	
Cash in bank	\$ <u>100.00</u>
<u>LIABILITIES</u>	
Due to Downtown Development Authority	\$ 0.00
Due to General Fund	100.00
Due to Others	<u>0.00</u>
Total Liabilities	\$ <u>100.00</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING  
Bay County, Michigan

COMPONENT UNIT  
STATEMENT OF NET POSITION  
DOWNTOWN DEVELOPMENT AUTHORITY  
June 30, 2023

ASSETS:

Current Assets:		
Cash	\$	45,691.02
Due from City		19,126.83
Other receivables		0.00
Total Current Assets		<u>64,817.85</u>
Noncurrent Assets:		
Land		5,000.00
Construction in progress		0.00
Equipment		3,100.00
Buildings and improvements		140,015.91
Accumulated depreciation		(94,569.36)
Total Noncurrent Assets		<u>53,546.55</u>
Total Assets		118,364.40

LIABILITIES:

Current Liabilities:		
Accounts payable		0.00
Due to Other Local Units		14,452.89
Unearned grant revenue		5,500.00
Total Current Liabilities		<u>19,952.89</u>

NET POSITION:

Invested in capital assets net of related debt		53,546.55
Unrestricted		44,864.96
Total Net Position	\$	<u><u>98,411.51</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING  
Bay County, Michigan

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
 STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Capital Grants/ Contributions</u>	<u>Downtown Development Authority</u>
<b>DOWNTOWN DEVELOPMENT AUTHORITY</b>					
Economic development	\$ 58,826.55	\$ 1,540.00	\$ 0.00	\$ 0.00	\$ (57,286.55)
Interest on long-term debt	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Governmental Activities	\$ <u><u>58,826.55</u></u>	\$ <u><u>1,540.00</u></u>	\$ <u><u>0.00</u></u>	\$ <u><u>0.00</u></u>	\$ (57,286.55)
 <b>GENERAL REVENUES:</b>					
Property taxes					64,133.60
Transfer from General Fund					0.00
Net Loss on sale of assets					0.00
Unrestricted investment earnings					<u>85.56</u>
Total General Purpose Revenues and Transfers					<u>64,219.16</u>
Change in Net Position					6,932.61
Net Position - Beginning of Year					<u>91,478.90</u>
Net Position - End of Year					\$ <u><u>98,411.51</u></u>

The accompanying notes are an integral part of the financial statements.



CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

A. DESCRIPTION OF REPORTING ENTITY:

The City of Pinconning is located in Bay County and operates under an elected Board of Council Members (6 members) and an elected Mayor, and provides services to its residents in many areas. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. REPORTING ENTITY:

**Financial Reporting Entity**

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Pinconning has one component unit, the Downtown Development Authority. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, and promote growth within the district. The Authority's governing body, which consists of nine (9) individuals, is appointed by the Mayor and approved by the City Council.

**Joint Fire Authority -**

The City of Pinconning, Pinconning Township and the Township of Fraser participate jointly in the operation of the Pinconning Fraser Fire Department Authority. The funding formula requires that each municipality share the operational costs of the department. All the financial operations of the fire department are recorded in the Pinconning Fraser Fire Department Authority and separate financial information is available from the Authority. The City's portion contributed for the fiscal year was \$77,216 for operating purposes. A separate audit is available for the fire authority.

CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

C. BASIS OF PRESENTATION:

The Government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of City. The effect of the interfund activity, within the Governmental and Business-type Activities columns, has been removed from these statements. 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

D. FUND FINANCIAL STATEMENTS:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for Governmental and Proprietary Activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of Governmental Funds is on the sources, uses and balance of current financial resources. The City has presented the following Major Governmental Funds:

**Major Government Funds**

***General Fund -***

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

***Major Street Fund -***

Major Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted

CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

expenditures of those funds related to the maintenance and construction of major roads within the City.

***Local Street Fund -***

Local Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of local roads within the City.

**Proprietary Funds**

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses for the Proprietary Funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following Major Proprietary Funds:

***Water Fund -***

Water Fund is used to account for the provision of water to the residents of the City. Activities of the fund include administration, operation and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

***Sewer Fund***

Sewer Fund is used to account for sewage disposal for the residents of the City. Activities of the fund include administration, operation and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

**Fiduciary Funds**

***Tax Collection Fund -***

The Tax Collections Agency Fund accounts for assets held by the City in a trustee capacity. Tax Collections are custodial in nature and do not involve the measurement of results of operations.

CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

E. MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide Statements and Fund Financial Statements for Proprietary Funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

F. FIXED ASSETS/DEPRECIATION:

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

Buildings and additions	40 – 50 years
Land improvements	15 – 20 years
Vehicles	5 – 10 years
Furniture and other equipment	3 – 10 years
Water and sewer transmission lines	40 years

G. FUND EQUITY:

In the Fund Financial Statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H. PROPERTY TAXES:

Properties are assessed as of December 31; the related property taxes are billed on July 1 and become a lien on December 31 of the following year. These taxes are due without penalty during the period from July 1 through August 15 with a final collection date of February 28 before they are added to the county tax rolls.

The 2022 taxable valuation of City properties totaled \$28,595,206. The taxes levied and the resulting revenue by fund and component unit was as follows:

CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

	Millage Rate	Gross Levy/ Revenue	DDA Capture	Net Taxes
Operating millage – net of portion captured by Downtown Development Authority	14.6295	\$ 413,444	\$ 33,135	\$ 380,309
Special Assessment-Refuse collection	N/A	0	N/A	0
Special Assessment-Ambulance	N/A	0	N/A	0
Total Governmental Funds		\$ 413,444	\$ 33,135	\$ 380,309
Capture from other units			30,998	
Component Unit				
Downtown Development Authority	N/A		\$ 64,133	

**I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

**J: PENSIONS:**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the City to have its budget in place by April 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits entities to amend their budgets during the year. There were no significant amendments during the year.

CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued):**

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The City incurred expenditures in excess of budgeted amounts in Major and Local Street Funds :

Major fund budgeted expenditures	322,600	Actual Expenditures	338,476	Over	15,316
Local fund budgeted expenditures	276,200	Actual Expenditures	281,289	Over	5,089

**NOTE 3. LONG-TERM DEBT:**

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Ranges</u>	<u>Beginning Balances</u>	<u>Additions (Deductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>BUSINESS – TYPE ACTIVITIES</b>						
Sewer disposal Revenue Bond 2022	4.15%	40,000-176,000/yr	1,863,000	(112,000)	1,751,000	105,000

Annual debt service principal and interest requirements are summarized as follows:

Year Ended June 30,	Principal	Interest
2024	\$ 105,000.00	\$ 72,666.50
2025	114,000.00	68,309.00
2026	119,000.00	63,578.00
2027	124,000.00	58,639.50
2028	128,000.00	53,493.50
2029	136,000.00	48,181.50
2030	143,000.00	42,537.50
2031	147,000.00	36,603.00
2032	157,000.00	30,502.50
2033	156,000.00	23,987.00
2034	166,000.00	17,513.00
2035	176,000.00	10,624.00
2036	40,000.00	3,320.00
2037	<u>40,000.00</u>	<u>1,660.00</u>
<b>Total</b>	<b>\$ 1,751,000.00</b>	<b>531,615.00</b>

CITY OF PINCONNING  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 4. CAPITAL ASSETS:**

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions/ Completions	Retirements/ Adjustments	Balance June 30, 2023
<b>Governmental activities:</b>				
Capital assets not being depreciated				
Land	\$ 25,000	\$ 0	\$ 0	\$ 25,000
Capital assets being depreciated				
Buildings and improvements	955,204	0	0	955,204
Furniture & equipment	852,279	0	0	852,279
Infrastructure	<u>637,853</u>	<u>0</u>	<u>0</u>	<u>637,853</u>
Subtotal	2,445,336	0	0	2,445,336
Less accumulated depreciation				
Buildings and improvements	920,906	1,786	0	922,692
Furniture & equipment	732,928	28,590	0	761,518
Infrastructure	287,582	20,272	0	307,854
Subtotal	<u>1,941,416</u>	<u>50,648</u>	<u>0</u>	<u>1,992,064</u>
Net capital assets being depreciated	503,920	-50,648	0	453,272
Net capital assets	<u>\$ 528,920</u>	<u>\$ (50,648)</u>	<u>\$ 0</u>	<u>\$ 478,272</u>
<b>Business – type activities:</b>				
Capital assets not being depreciated				
Land	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Construction in progress	0	0	0	0
Capital assets being depreciated				
Buildings and improvements	3,452,334	0	0	3,452,334
Water and sewer distribution systems	4,026,272	0	0	4,026,272
Furniture and equipment	<u>219,096</u>	<u>0</u>	<u>0</u>	<u>219,096</u>
Subtotal	7,697,702	0	0	7,697,702
Less accumulated depreciation				
Sewer distribution system	3,192,718	160,786	0	3,353,504
Water system	819,814	21,770	0	<u>841,584</u>
Subtotal	<u>4,012,532</u>	<u>182,556</u>	<u>0</u>	<u>4,195,088</u>
Net capital assets	<u>\$ 3,735,170</u>	<u>\$ (182,556)</u>	<u>\$ 0</u>	<u>\$ 3,552,614</u>

CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 4. CAPITAL ASSETS (continued):**

Capital assets activity for the City's component unit for the year were as follows:

<b>Component Unit</b>	<u>Balance June 30, 2022</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2023</u>
Capital assets not being depreciated				
Land	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Capital assets being depreciated				
Buildings and improvements	140,016	0	0	140,016
Furniture	3,100			3,100
Less accumulated depreciation	<u>92,452</u>	<u>2,118</u>	<u>0</u>	<u>94,570</u>
Net capital assets being depreciated	<u>50,664</u>	<u>2,118</u>	<u>0</u>	<u>48,546</u>
Total Net Capital Assets	\$ <u>55,664</u>	\$ <u>(2,118)</u>	\$ <u>0</u>	\$ <u>53,546</u>

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

Governmental Activities:	
Legislative	\$ -
General government	1,819
Public safety	4,500
Streets	20,272
Public works	23,482
Recreation and culture	<u>575</u>
Total Depreciation Expense	\$ <u>50,648</u>
Business-type Activities:	
Water	21,770
Sewer	<u>160,786</u>
Total Water and Sewer	\$ <u>182,556</u>
Component Unit:	
DDA	\$ <u>2,118</u>

**NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

The City had no interfund receivables or payables. Transfers are detailed below:

	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>	<u>Purpose</u>
Local Street	\$ <u>67,872</u>	Major Street	\$ <u>67,872</u>	Allowed state transfer amount



CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 6. CUSTODIAL CREDIT RISK:**

Michigan Compiled Laws, §129.91, authorizes local governmental units to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated five financial agencies for the deposit of local unit funds. The investment policy adopted by the City in accordance with *Public Act 196 of 1997* has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits and investment policy are in accordance with statutory authority. The following is total cash:

Governmental Activities	Business Type	Total Primary Government	Component Unit
\$ 1,478,033	\$ 375,358	\$ 1,853,391	\$ 45,691

The breakdown between deposits and investments for the City is as follows:

Deposits	\$	1,898,882
Investments		-
Petty Cash		200
Total	\$	1,899,082

Risk categories are classified in one of three categories of credit risk. These categories are:

- (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name.
- (3) Uncollateralized - This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.  
Bank deposits including certificates of deposit:

Category 1	\$	1,899,082
Category 2		-
Category 3		-
Total	\$	1,899,082

CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 7. DEFINED BENEFIT PENSION PLAN:**

**Plan Description**

The City of Pinconning, Michigan participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers some employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmich.com](http://www.mersofmich.com) or by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

**Benefits Provided**

Benefits provided include plans with multipliers ranging from 2.00% to 2.25%. Vesting period is 10 years. Normal retirement age is 60 with early retirement at 55 with 15 years of service for unreduced benefits and early retirement at 50 with 25 years of service for reduced benefits. Final average compensation is calculated based on 5 years. Member contributions range from 5% to 7.50%.

**Employees Covered by Benefit Terms**

At the December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	1
Active Employees	<u>3</u>
Total employees covered by MERS	<u>19</u>

**Contributions**

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions range from 5.00% to 7.50 % of payroll, depending upon the employee's plan.

**Net Pension Liability**

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2023, fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2022, measurement date. The December 31, 2022, measurement date total pension liability was determined by an actuarial valuation performed as of that date.

CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):**

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

	Increase (Decrease)		
<u>Changes in Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<b>Balances at 12/31/21</b>	\$ 2,297,717	\$ 1,285,777	\$ 1,011,940
<b>Changes for the Year:</b>			
Service cost	12,892		12,892
Interest on Total Pension Liability	155,320		155,320
Changes in benefits	-		-
Difference between expected and actual experience	(79,800)		(79,800)
Changes in assumptions			
Employer contributions		96,726	(96,726)
Employee contributions		7,744	(7,744)
Net investment income		(132,197)	132,197
Benefit payments	(170,614)	(170,614)	-
Employee refunds		-	-
Administrative expense		(2,310)	2,310
Other changes	5,547	-	5,547
<b>Net changes</b>	(76,655)	(200,651)	123,,996
<b>Balances as of 12/31/22</b>	\$ 2,221,062	\$ 1,085,126	\$ 1,135,936

**Actuarial Assumptions**

The total pension liability in the December 31, 2022 annual actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.0 percent, an investment rate of return gross of investment expenses of 7.25 percent, and the Pub-2010 mortality tables. The economic assumptions (i.e., investment rate of return and inflation assumption) were updated for the end of the measurement period. All assumptions used based on experience study conducted for the period from 2014-2018.

Mortality rates were based on a blend of the following tables:

1. The Pub-2010 Juvenile Mortality Tables
2. The PubG-2010 Employee Mortality Tables
3. The PubG-2010 Health Retiree Tables

CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):**

For disabled retirees, the mortality rates were based on a blend of the Pub-2010 Juvenile Mortality Tables and the PubNS-2010 Disabled Retiree Tables.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and employee rate.

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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 as of December 31, 2022, the measurement date, for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	60.0%	4.50%
Global Fixed Income	20.0%	2.00%
Private Investments	20.0%	7.00%

CITY OF PINCONNING  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):**

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

		<u>12/31/2022</u>
<b>Total Pension Liability</b>		
Service cost	\$	12,892
Interest on the total pension liability		155,320
Difference between expected and actual experience		(79,800)
Other changes		5,547
Benefit payments and refunds		<u>(170,614)</u>
Net change in total pension liability		(76,655)
Total pension liability - beginning		<u>2,297,717</u>
Total pension liability - ending (a)	\$	<u><u>2,221,062</u></u>
 <b>Plan Fiduciary Net Position</b>		
Employer contributions	\$	96,726
Employee contributions		7,744
Pension plan net investment income		(132,197)
Benefit payments and refunds		(170,614)
Pension plan administrative expense		<u>(2,310)</u>
Net change in plan fiduciary net position		(200,651)
Plan fiduciary net position - beginning		<u>1,285,777</u>
Plan fiduciary net position - ending (b)		<u>1,085,126</u>
Net pension liability (a-b)	\$	<u><u>1,135,936</u></u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability (asset) would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Change in Net Pension Liability	\$ 204,552	\$ 0	\$ (176,653)
Calculated Net Pension Liability	\$ 1,340,488	\$ 1,135,936	\$ 959,283

CITY OF PINCONNING  
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):**

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

For the year ended June 30, 2023, the City recognized pension expense of \$103,923. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in Experience	\$ 0	\$ 0
Differences in Assumptions	0	0
Excess (Deficit) Investment Returns	<u>91,267</u>	<u>0</u>
Total to be smoothed over 5 years	91,267	0
Contributions Subsequent to the Measurement Date*	<u>48,990</u>	<u>0</u>
Total	<u>\$ 140,257</u>	<u>\$ 0</u>

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

<u>Year Ended</u>	
2023	\$(13,220)
2024	(21,541)
2025	(49,818)
2026	175,844
<b>Total</b>	<b>\$ 91,267</b>

**Assumption Changes**

As of December 31, 2022 measurement date, the investment rate of return was 7.25%, the same as 7.25% as of the December 31, 2021 measurement date.

**Pension Plan Fiduciary Net Position**

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

CITY OF PINCONNING  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 8. RISK MANAGEMENT:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages its liability and property risk by participating in Michigan Township Participant Plan, a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to Michigan Municipal Risk Management Authority for its insurance coverage.

**NOTE 9. MANAGEMENT REVIEW:**

Management has evaluated subsequent events and transactions for potential recognition and disclosure through December 8, 2023, the date the financial statements were available to be issued. Beginning in March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. No adjustments have been made to these financial statements as a result of this uncertainty. However, the State of Michigan has had a significant reduction in revenues and increased costs in containing the virus and future state revenue sharing is likely to be impacted.

**NOTE 10. FUND BALANCE CLASSIFICATIONS:**

Beginning with the year ended June 30, 2011, the City implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. The Statement provided more clearly defined fund balance categories to make the nature and extent of the constraints placed upon a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

Non-spendable – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, such as inventories, or are legally or contractually required to be maintained intact.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, or laws or regulations of other governments or is imposed through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purpose imposed by formal City Council resolutions.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted or committed.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from the overspending for specific purposes for which amounts have been restricted, committed or assigned.

CITY OF PINCONNING  
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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 10. FUND BALANCE CLASSIFICATIONS (continued):**

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

**NOTE 11. TAX ABATEMENTS**

The City uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50% of the property tax bill for the new property (or it can freeze taxable values of the year previous to the rehabilitation for rehabilitation properties) for up to 12 years. As of June 30, 2023, the City's property tax revenue was reduced by 1,233 under these programs.

**NOTE 12. CYBERSECURITY AND INFORMATION TECHNOLOGY CONTROLS:**

Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. Because of these attacks, entities stand to lose their reputation, the ability to operate efficiently, and propriety information or assets. Entities may also be subject to financial and legal liabilities. Managing this issue is especially challenging because even an entity with a highly mature cybersecurity risk management program still has a residual risk that a material cybersecurity breach could occur and not be detected in a timely manner. We believe management should continue to monitor and evaluate this risk, which is a critical best practice. Additionally, periodic assessments of the system in order to verify that the control environment is functioning as designed are key parts of measuring associated business risk. We encourage those charged with governance to work with management on this very important topic. If we can be of assistance in the process, we would be happy to do so.

**NOTE 13. GASB STATEMENT NO. 87, LEASES:**

GASB Statement No. 87, *Leases* applies to all state and local governments and establishes a single model for all lease accounting. The concept within this model is that a lease is a financing arrangement that permits the use of an underlying asset for a period of time. As such, a lessee records a lease liability and an intangible right-of-use asset. A lessor records a lease receivable and a deferred inflow of resources. An exception is granted for short-term leases, which are those that, at the beginning of the lease, have a maximum possible term under the contract of 12 months or less, including any options to extend, regardless of its probability of being exercised.

*Effect on the City:* The City had no contracts for which this standard applies for its year ended June 30, 2023.



REQUIRED SUPPLEMENTAL INFORMATION

CITY OF PINCONNING  
Bay County, Michigan

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 372,850.00	\$ 435,420.00	\$ 397,752.48	\$ (37,667.52)
Special assessment solid waste	124,000.00	124,000.00	122,980.25	(1,019.75)
Special assessment ambulance and demo	40,800.00	40,800.00	18,860.25	(21,939.75)
State revenue sharing	181,000.00	181,000.00	162,005.00	(18,995.00)
Other grants	130,000.00	214,754.72	160,400.89	(54,353.83)
Charges for services	39,765.00	41,635.00	40,045.67	(1,589.33)
License and permits	1,000.00	1,500.00	1,165.00	(335.00)
Interest and rental	71,400.00	71,400.00	58,924.57	(12,475.43)
Other revenue	9,350.00	9,350.00	7,131.39	(2,218.61)
Total Revenues	970,165.00	1,119,859.72	969,265.50	(150,594.22)
<b>EXPENDITURES:</b>				
Legislative	10,950.00	17,500.00	17,007.09	492.91
<b>General Government -</b>				
City Manager	83,660.00	101,660.00	78,178.89	23,481.11
Elections	9,475.00	4,630.00	4,108.52	521.48
Assessor	39,000.00	39,000.00	30,050.27	8,949.73
Accounting	0.00	0.00	0.00	0.00
Board of Review	1,160.00	1,610.00	1,350.50	259.50
Treasurer	49,925.00	66,050.00	64,470.34	1,579.66
Clerk	67,050.00	70,250.00	55,475.78	14,774.22
City Hall	179,650.00	211,500.00	193,448.45	18,051.55
<b>Public Safety -</b>				
Fire	120,000.00	118,000.00	77,216.19	40,783.81
Police	87,150.00	89,050.00	76,934.65	12,115.35
<b>Health and Welfare-</b>				
Ambulance	40,800.00	41,800.00	35,235.43	6,564.57
<b>Public Works -</b>				
Sanitation	125,000.00	135,000.00	132,991.68	2,008.32
Street lighting	20,000.00	23,000.00	21,961.96	1,038.04
Planning	0.00	0.00	0.00	0.00
Department of public works	134,600.00	152,400.00	122,086.53	30,313.47
<b>Cultural and Recreation -</b>				
Parks	3,950.00	4,800.00	3,739.57	1,060.43
Unallocated	0.00	0.00	0.00	0.00
Total Expenditures	972,370.00	1,076,250.00	914,255.85	161,994.15
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer from other funds	0.00	0.00	0.00	0.00
Transfer to other funds	0.00	0.00	0.00	0.00
Net Other Financing Sources (Uses)	0.00	0.00	0.00	0.00
<b>NET CHANGE IN FUND BALANCE</b>	(2,205.00)	43,609.72	55,009.65	11,399.93
<b>FUND BALANCE - Beginning of Year</b>	800,000.00	802,708.18	802,708.18	0.00
<b>FUND BALANCE - End of Year</b>	\$ 797,795.00	\$ 846,317.90	\$ 857,717.83	\$ 11,399.93

CITY OF PINCONNING  
Bay County, Michigan

MAJOR STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
State grants	145,000.00	145,000.00	145,560.07	560.07
Local contribution	0.00	0.00	0.00	0.00
Interest and rentals	0.00	0.00	0.00	0.00
Total Revenues	145,000.00	145,000.00	145,560.07	560.07
<b>EXPENDITURES:</b>				
<b>Public Works-</b>				
Preservation	38,000.00	307,200.00	327,528.18	(20,328.18)
Signals and signs	3,000.00	3,000.00	230.29	2,769.71
Winter maintenance	2,400.00	2,400.00	2,278.22	121.78
Non-Motorized	3,000.00	4,000.00	2,542.39	1,457.61
Administration	6,000.00	6,000.00	5,897.31	102.69
Total Expenditures	52,400.00	322,600.00	338,476.39	(15,876.39)
<b>EXCESS REVENUES OVER EXPENDITURES</b>	92,600.00	(177,600.00)	(192,916.32)	(15,316.32)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in Local Street Fund	0.00	0.00	0.00	0.00
Transfer out Local Street Fund	(70,000.00)	(70,000.00)	(67,872.09)	2,127.91
Total Other Sources (Uses)	(70,000.00)	(70,000.00)	(67,872.09)	2,127.91
Excess (deficiency) of revenues over expenditures and other uses	22,600.00	(247,600.00)	(260,788.41)	(13,188.41)
<b>FUND BALANCE - Beginning of Year</b>	541,087.19	541,087.19	541,087.19	0.00
<b>FUND BALANCE - End of Year</b>	\$ 563,687.19	\$ 293,487.19	\$ 280,298.78	\$ (13,188.41)

CITY OF PINCONNING  
Bay County, Michigan

LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
State grants	50,000.00	50,000.00	49,251.65	(748.35)
Interest and rentals	0.00	0.00	0.00	0.00
Total Revenues	50,000.00	50,000.00	49,251.65	(748.35)
EXPENDITURES:				
Public Works-				
Preservation	43,700.00	263,700.00	273,749.71	(10,049.71)
Signals and signs	500.00	500.00	413.99	86.01
Winter maintenance	2,500.00	2,500.00	2,278.20	221.80
Administration	6,000.00	6,000.00	2,598.79	3,401.21
Nonmotorized	2,000.00	3,500.00	2,248.24	1,251.76
Total Expenditures	54,700.00	276,200.00	281,288.93	(5,088.93)
EXCESS REVENUES OVER EXPENDITURES	(4,700.00)	(226,200.00)	(232,037.28)	(5,837.28)
OTHER FINANCING SOURCES (USES):				
Transfer to Major Street	0.00	0.00	0.00	0.00
Transfer from General	0.00	0.00	0.00	0.00
Transfer from Major Street	70,000.00	70,000.00	67,872.09	(2,127.91)
Total Other Sources (Uses)	70,000.00	70,000.00	67,872.09	(2,127.91)
Excess (deficiency) of revenues over expenditures and other uses	65,300.00	(156,200.00)	(164,165.19)	(7,965.19)
FUND BALANCE - Beginning of Year	259,000.00	259,480.60	259,480.60	0.00
FUND BALANCE - End of Year	\$ 324,300.00	\$ 103,280.60	\$ 95,315.41	\$ (7,965.19)

CITY OF PINCONNING  
Bay County, Michigan

REQUIRED SUPPLEMENTARY INFORMATION  
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN  
SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS  
June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>									
Service cost	\$ 12,892	\$ 11,342	\$ 10,231	\$ 18,124	\$ 16,596	\$ 16,734	\$ 20,955	\$ 31,092	\$ 28,324
Interest on the total pension liability	155,320	148,769	155,677	160,912	170,595	178,759	172,687	167,686	165,520
Difference between expected and actual experience	(79,800)	29,651	(39,935)	(58,841)	(5,822)	(104,887)	64,516	13,798	-
Changes in assumptions	0	66,678	59,290	67,260	-	0	0	95,300	-
Other changes	5,547	12,751	5,295	8,471	(1)	(1)	0	(230)	(1)
Benefits payments and refunds	(170,614)	(182,140)	(185,663)	(196,722)	(197,884)	(187,290)	(172,994)	(180,111)	(157,826)
Net change in total pension liability	(76,655)	87,051	4,895	(796)	(16,516)	(96,685)	85,164	127,535	36,017
Total pension liability - beginning	<u>2,297,717</u>	<u>2,210,666</u>	<u>2,205,771</u>	<u>2,206,567</u>	<u>2,223,083</u>	<u>2,319,768</u>	<u>2,234,604</u>	<u>2,107,069</u>	<u>2,071,052</u>
Total pension liability - ending (a)	<u>\$ 2,221,062</u>	<u>\$ 2,297,717</u>	<u>\$ 2,210,666</u>	<u>\$ 2,205,771</u>	<u>\$ 2,206,567</u>	<u>\$ 2,223,083</u>	<u>\$ 2,319,768</u>	<u>\$ 2,234,604</u>	<u>\$ 2,107,069</u>
<b>Plan Fiduciary Net Position</b>									
Employer contributions	\$ 96,726	\$ 88,989	\$ 71,403	\$ 72,410	\$ 67,354	\$ 51,543	\$ 68,101	\$ 52,445	\$ 39,475
Employee contributions	7,744	7,364	7,392	12,411	9,124	10,599	18,539	16,444	15,121
Pension plan net investment income	(132,197)	164,583	136,688	148,932	(47,277)	161,671	136,855	(18,997)	85,917
Benefit payment and refunds	(170,614)	(182,140)	(185,663)	(196,722)	(197,884)	(187,290)	(172,994)	(180,111)	(157,826)
Pension plan administrative expense	(2,310)	(1,889)	(2,529)	(2,560)	(2,452)	(2,574)	(2,707)	(2,897)	(3,133)
Net change in plan fiduciary net position	(200,651)	76,907	27,291	34,471	(171,135)	33,949	47,794	(133,116)	(20,446)
Plan fiduciary net position - beginning	<u>1,285,777</u>	<u>1,208,870</u>	<u>1,181,579</u>	<u>1,147,108</u>	<u>1,318,243</u>	<u>1,284,294</u>	<u>1,236,500</u>	<u>1,369,616</u>	<u>1,390,062</u>
Plan fiduciary net position - ending (b)	<u>1,085,126</u>	<u>1,285,777</u>	<u>1,208,870</u>	<u>1,181,579</u>	<u>1,147,108</u>	<u>1,318,243</u>	<u>1,284,294</u>	<u>1,236,500</u>	<u>1,369,616</u>
Net pension liability (a-b)	<u>\$ 1,135,936</u>	<u>\$ 1,011,940</u>	<u>\$ 1,001,796</u>	<u>\$ 1,024,192</u>	<u>\$ 1,059,459</u>	<u>\$ 904,840</u>	<u>\$ 1,035,474</u>	<u>\$ 998,104</u>	<u>\$ 737,453</u>
Plan fiduciary net position as a percentage of total pension liability	48.86%	55.96%	54.68%	53.57%	51.99%	59.30%	55.36%	55.33%	65.00%
Covered employee payroll	\$ 134,594	\$ 126,526	\$ 112,453	\$ 188,654	\$ 167,034	\$ 218,444	\$ 231,284	\$ 273,808	\$ 260,761
Net pension liability as a percentage of covered employee payroll	843.97%	799.79%	890.86%	542.89%	634.28%	414.22%	447.71%	364.53%	282.81%

This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF PINCONNING  
Bay County, Michigan

REQUIRED SUPPLEMENTARY INFORMATION  
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN  
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
June 30, 2023

MERS Plan Year End December 31	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial Determined Contributions	\$ 0	\$ 96,726	\$ 88,989	\$ 71,402	\$ 72,410	\$ 67,354	\$ 51,543	\$ 68,101	\$ 52,445	\$ 39,476
Determined contribution		96,726	88,989	71,402	72,410	67,354	51,543	68,101	52,445	39,476
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 0	\$ 134,594	\$ 126,526	\$ 112,453	\$ 188,654	\$ 167,034	\$ 218,444	\$ 231,284	\$ 273,808	\$ 260,761
Contributions as a percentage of covered employee payroll		72%	70%	63%	38%	40%	24%	29%	19%	15%

Notes to Schedule

This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Actuarially determined contribution rates are calculated as of December 31, each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	18 years
Asset valuation method	10 year smoothed
Inflation	2.50%
Salary Increases	3.00%
Investment rate of return	7.35%
Retirement age	60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables

OTHER SUPPORTING INFORMATION

CITY OF PINCONNING  
Bay County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
Year Ended June 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 57,000.00	\$ 57,000.00	\$ 64,133.60	\$ 7,133.60
Sale of assets	0.00	0.00	0.00	0.00
Other income	3,100.00	3,100.00	1,540.00	(1,560.00)
Interest	50.00	50.00	85.56	35.56
Total Revenues	60,150.00	60,150.00	65,759.16	5,609.16
<b>EXPENDITURES:</b>				
Economic Development:				
Building maintenance	22,250.00	31,622.00	27,092.80	4,529.20
Administrative fees	2,500.00	2,500.00	2,500.00	0.00
Project activities	23,150.00	27,000.00	26,490.73	509.27
Debt - principal	0.00	0.00	0.00	0.00
Debt- interest	0.00	0.00	0.00	0.00
Capital outlay	0.00	0.00	0.00	0.00
Other	0.00	650.00	625.00	25.00
Total Expenditures	47,900.00	61,772.00	56,708.53	534.27
EXCESS REVENUES OVER EXPENDITURES	12,250.00	(1,622.00)	9,050.63	10,672.63
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	0.00	0.00	0.00	0.00
Excess (deficiency) of revenues over expenditures and other uses	12,250.00	(1,622.00)	9,050.63	10,672.63
FUND BALANCE - Beginning of Year	35,000.00	35,814.33	35,814.33	
FUND BALANCE - End of Year	\$ 47,250.00	\$ 34,192.33	\$ 44,864.96	



CITY OF PINCONNING  
Bay County, Michigan

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

NET CHANGE IN FUND BALANCE	\$	9,050.63
Amounts reported for Governmental Activities in the Statement of Activities are different because -		
Governmental Funds report capital outlays as expenditures while in the Statement of Activities, these costs are allocated over their estimated lives as depreciation expense.		
Depreciation expense		(2,118.02)
Capital asset purchases capitalized		0.00
Repayment of debt principal is an expenditure in the Governmental Funds, the repayment does not have an effect in the Statement of Activities, but does reduce the debt balance in the Statement of Net Position.		
Principal payments on long-term debt		0.00
CHANGE IN NET POSITION - COMPONENT UNIT ACTIVITIES	\$	<u>6,932.61</u>

CITY OF PINCONNING  
Bay County, Michigan

COMPONENT UNIT  
DOWNTOWN DEVELOPMENT AUTHORITY  
BALANCE SHEET  
June 30, 2023

<u>ASSETS:</u>	
Current Assets:	
Cash	\$ 45,691.02
Due from general fund	19,126.83
Taxes receivable	<u>0.00</u>
Total Current Assets	\$ <u><u>64,817.85</u></u>
<u>LIABILITIES:</u>	
Current Liabilities:	
Unearned grant revenue	\$ 5,500.00
Due to Other Local Units	<u>14,452.89</u>
Total Current Liabilities	19,952.89
Fund Balance	
Unrestricted	<u>44,864.96</u>
Total Liabilities and Fund Balance	\$ <u><u>64,817.85</u></u>

CITY OF PINCONNING  
Bay County, Michigan

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY  
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION  
June 30, 2023

FUND BALANCES ON BALANCE SHEET	\$ 44,864.96
Amounts reported for Governmental Activities in the Statement of Net Position are different because -	
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Governmental Funds Balance Sheet:	
Capital assets at cost	148,115.91
Accumulated depreciation	(94,569.36)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds	0.00
TOTAL NET POSITION - COMPONENT UNIT	\$ <u>98,411.51</u>

CITY OF PINCONNING  
Bay County, Michigan

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2023

REVENUES:	
Taxes -	
Current tax levy	\$ 380,309.31
Special assessment solid waste	122,980.25
Special assessment demolition recapture	-21,821.12
Ambulance	40,681.37
Mobile home	40.50
Penalties and interest	2,891.33
Collection fee	<u>14,511.34</u>
Total taxes	539,592.98
Federal, State and Local Grants -	
Federal	129,440.72
State revenue sharing	162,005.00
Metro act	6,512.24
Stabilization	19,447.93
Local grant	<u>5,000.00</u>
	322,405.89
Licenses and permits -	
Zoning and others	<u>1,165.00</u>
Total licenses and permits	1,165.00
Charges for Services -	
City services	2,295.00
Administration fees	2,500.00
Police services	<u>35,250.67</u>
Total charges for services	40,045.67
Fines and ordinance violations	
	608.99
Interest and Rentals -	
Other income	9,071.63
Rents	11,800.00
Private donations	6,522.40
Interest	<u>38,052.94</u>
Total interest and rentals	<u>65,446.97</u>
Total Revenues	969,265.50
EXPENDITURES	914,255.85
OTHER FINANCING SOURCES (USES)	
Transfer to Sewer	0.00
Total other uses	<u>0.00</u>
NET CHANGE IN FUND BALANCE	55,009.65
FUND BALANCE - July 1, 2022	<u>802,708.18</u>
FUND BALANCE - June 30, 2023	<u>\$ 857,717.83</u>

CITY OF PINCONNING  
Bay County, Michigan

GENERAL FUND  
DETAIL OF EXPENDITURES  
Year Ended June 30, 2023

EXPENDITURES:

LEGISLATIVE:

Mayor and City Council -

Salaries	\$ 13,960.00
Fringes and taxes	1,102.41
Membership dues	1,494.68
Audit	0.00
Supplies and other	<u>450.00</u>

Total Legislative 17,007.09

GENERAL GOVERNMENT:

City Manager -

Wages	51,177.66
Fringes and taxes	27,001.23
Telephone	0.00
Mileage and other	<u>0.00</u>

Total Manager 78,178.89

Elections -

Wages	2,162.50
Supplies	1,946.02
Printing and publication	<u>0.00</u>

Total Elections 4,108.52

Assessor -

Contracted service	28,522.18
County tax roll service	1,480.40
Supplies and other costs	<u>47.69</u>

Total Assessor 30,050.27

Board of Review -

Fees	964.75
Other costs	<u>385.75</u>

Total Board of Review 1,350.50

CITY OF PINCONNING  
Bay County, Michigan

GENERAL FUND  
 DETAIL OF EXPENDITURES (Continued)  
Year Ended June 30, 2023

EXPENDITURES (CONT.):

GENERAL GOVERNMENT (CONT.):

Treasurer -	
Salaries	\$ 45,514.87
Fringes and taxes	17,009.41
Mileage	0.00
Meetings	0.00
Supplies and other	<u>1,946.06</u>
Total Treasurer	64,470.34

Clerk -	
Salaries	27,034.60
Fringes and taxes	27,452.06
Mileage	0.00
Meetings	908.12
Supplies and other	<u>81.00</u>
Total Clerk	55,475.78

City Hall and Grounds -	
Contract services	85,548.96
Retirement	0.00
Advertising	4,057.00
Supplies	3,622.24
Office	0.00
Legal	1,648.00
Insurance	57,513.34
Utilities	10,121.54
Repairs and maintenance	22,902.27
Telephone	8,035.10
Capital outlay	<u>0.00</u>
Total City Hall	<u>193,448.45</u>

Total General Government 427,082.75

PUBLIC SAFETY:

Fire Department -	
Contracted fire protection	38,216.19
Hydrant rental	39,000.00
Capital outlay	<u>0.00</u>

Total Fire Department 77,216.19

CITY OF PINCONNING  
Bay County, Michigan

GENERAL FUND  
 DETAIL OF EXPENDITURES (Continued)  
Year Ended June 30, 2023

EXPENDITURES (CONT.):	
PUBLIC SAFETY (CONT.)	
Police -	
Salaries	\$ 63,485.00
Fringes and taxes	5,472.09
Office	116.03
Gas and oil	2,408.24
Legal	0.00
Supplies	785.58
Uniforms	391.58
Contracted services	500.00
Telephone	714.70
Training	50.00
Insurance	450.00
Capital outlay	0.00
Vehicle maintenance	2,239.36
Other costs	<u>322.07</u>
Total Police	<u>76,934.65</u>
Total Public Safety	154,150.84
HEALTH AND WELFARE	
Ambulance -	
Contracted service	35,235.43
PUBLIC WORKS:	
Sanitation -	
Refuse contract	132,991.68
Street Lighting	21,961.96
Department of Public Works -	
Salaries	64,057.02
Fringes and taxes	38,488.07
Supplies	2,994.37
Uniforms	2,525.80
Gas and oil	4,986.74
Telephone	1,253.56
Insurance	0.00
Utilities	4,230.97
Maintenance and repairs	3,550.00
Capital outlay	<u>0.00</u>
Total DPW	122,086.53
Planning and Zoning -	<u>0.00</u>
Total Public Works	277,040.17
RECREATION AND CULTURAL:	
Parks and Recreation -	
Utilities	2,750.57
Repairs and maintenance	879.00
Insurance	0.00
Supplies and other	110.00
Capital outlay	<u>0.00</u>
Total Recreation and Cultural	3,739.57
UNALLOCATED	
Health insurance and other fringes	0.00
Retirement	<u>0.00</u>
Total Unallocated	<u>0.00</u>
Total Expenditures	<u>\$ 914,255.85</u>

CITY OF PINCONNING  
Bay County, Michigan

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE REFUNDING BONDS 2022  
 SCHEDULE OF INDEBTEDNESS  
June 30, 2023

TYPE OF ISSUE: REVENUE BOND  
 PURPOSE OF ISSUE: WATER AND SEWAGE SYSTEM IMPROVEMENTS  
 INTEREST RATE: 4.15%  
 ORIGINAL ISSUE: 1,863,000

Date	June 1		December 1	Total
	Principal	Interest	Interest Only	
2023	\$ -	\$ -	\$ 36,333.25	\$ 36,333.25
2024	105,000.00	36,333.25	34,154.50	175,487.75
2025	114,000.00	34,154.50	31,789.00	179,943.50
2026	119,000.00	31,789.00	29,319.75	180,108.75
2027	124,000.00	29,319.75	26,746.75	180,066.50
2028	128,000.00	26,746.75	24,090.75	178,837.50
2029	136,000.00	24,090.75	21,268.75	181,359.50
2030	143,000.00	21,268.75	18,301.50	182,570.25
2031	147,000.00	18,301.50	15,251.25	180,552.75
2032	157,000.00	15,251.25	11,993.50	184,244.75
2033	156,000.00	11,993.50	8,756.50	176,750.00
2034	166,000.00	8,756.50	5,312.00	180,068.50
2035	176,000.00	5,312.00	1,660.00	182,972.00
2036	40,000.00	1,660.00	830.00	42,490.00
2037	40,000.00	830.00	-	40,830.00
	<u>\$ 1,751,000.00</u>	<u>\$ 265,807.50</u>	<u>\$ 265,807.50</u>	<u>\$ 2,282,615.00</u>





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CERTIFIED PUBLIC ACCOUNTANTS

*Partners:*

*Timothy J. Quast, C.P.A.*  
*David G. Gwizdala, C.P.A.*  
*Robert E. Friske, C.P.A.*

*Members:*

*American Institute of C.P.A.'s*  
*Michigan Association of C.P.A.'s*

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
The City of Pinconning  
208 Manitou Street  
Pinconning, MI 48650

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Pinconning, State of Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Pinconning's basic financial statements, and have issued our report thereon dated December 8, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Pinconning's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Pinconning's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pinconning's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the

accompanying schedule of findings and responses as item 2023-001, that we consider to be material weaknesses.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Pinconning’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-02.

### **City of Pinconning, State of Michigan’s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Pinconning’s response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Pinconning’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

QUAST, JANKE AND COMPANY



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Certified Public Accountants, P.C.  
Bay City, MI 48708  
December 8, 2023

CITY OF PINCONNING  
Bay County, Michigan

SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2023

**2023-001 – Preparation of Financial Statements in Accordance with GAAP**

Condition - As in the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements is based, in part, on its reliance on its external auditors, who cannot by definition, be considered a part of the City's internal controls.

Criteria – All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Potential Effect – As a result of this condition, the City lacks internal controls over the preparation of financial statements in accordance with GAAP, instead relying in part, on external auditors for assistance with this task.

Cause – This condition was caused by the City's decision that it is a more cost effective to outsource the preparation of its annual financial statements and identification of certain year-end adjustments to its independent auditors than to incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task internally.

Recommendation – The City's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided the City accepts responsibility for the financial statements and that it is disclosed as part of the report. Therefore, no specific recommendation is made at this time.

**2023-002 - Statutory Noncompliance**

Condition - The City has expenditures, by function, that exceeded budgeted amounts. Deviation from the budget is not allowed under the Uniform Budgeting Act and additional amendments should have been made to accurately appropriate City funds.

Criteria - 1968 PA 2, the Uniform Budgeting and Accounting Act, requires that a deviation from the original general appropriations act shall not be made without amending the budget. The amendment must be approved by the legislative body prior to the expenditure being made. There is no authority to amend the budget after year end.

Cause - The City did not adequately budget for activity items in the major and local street funds. The excess of actual over budgeted amounts were \$15,876 in major street fund and \$5,089 in local street fund.

Potential Effect - The City's operations could be negatively impacted as a result of cash management and expenditure control.

Recommendation - We recommend that the City regularly review financial results and compare those results to the budget, both the original and amended. Further, we recommend that management continue to proactively review revenues and expenditures by function and ensure all budget amendments are made before year end.

Management Response - Management concurs with this finding and will ensure that procedures are established to ensure proper monitoring and reviewing of the expenditures and revenues to ensure all budget amendments are made in a timely manner.



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Michigan Association of C.P.A.'s

December 8, 2023

City Council  
City of Pinconning  
P.O. Box 628  
Pinconning, MI 48650

We have audited the financial statements of City of Pinconning (the "City") as of and for the year ended June 30, 2023 and have issued our report thereon dated December 8, 2023. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Internal Control Related Matters Identified in an Audit

Section III - Matters for Management's Consideration

Sections I and II include information that we are required to communicate to those individuals charged with governance of the City. Section I communicates a deficiency we observed in the City's internal control that we believe is a material weakness. Section II communicates significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.

Section III contains updated legislative and informational items that we believe will be of interest to you.

We would like to take this opportunity to thank the City's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of trustees and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Quast, Janke and Company

A handwritten signature in cursive script that reads 'Quast, Janke and Company'.

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Bay City, Michigan

**Section I**  
**Required Communications with Those Charged with Governance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pinconning for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 25, 2021. Professional standards also require that we communicate to you the following information related to our audit.

**SIGNIFICANT AUDIT FINDINGS:**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 8, 2023.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to Management’s Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Employer’s Contributions which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the General Fund Statement of Revenues and Expenditures and Detail of Expenditures, the DDA Fund Statements and the Bond Debt Schedules which accompany the financial statement but are not RSI. With respect to this supplementary information, we made certain inquires of management and evaluated the form, content and methods of preparing the information to determine that the information compiles with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **Section II**

### **Internal Control Related Matters Identified in an Audit**

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Pinconning, as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the City’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

**2023-001 - Preparation of Financial Statements in Accordance with GAAP:**

Criteria. All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition. As in the case with many smaller and medium-sized municipalities, the City has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP and record, process, and summarize accounting data is based, in part, on its reliance on its independent external auditors, who cannot by definition be considered a part of the City's internal controls.

Cause. This condition was caused by the City's decision that it is a more cost effective to outsource the preparation of its annual financial statements and identification of certain year-end adjustments to its independent auditors than to incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task internally.

Effect. As a result of this condition, the City lacks internal controls over the preparation of financial statements in accordance with GAAP, instead relying in part, on external auditors for assistance with this task.

Recommendation. The City's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided the City accepts responsibility for the financial statements and that it is disclosed as part of the report. Therefore, no specific corrective action is required at this time.

Management Response. The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in its best interest to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

**2023-002 - Statutory Noncompliance**

Condition. The City has expenditures, by function, that exceeded budgeted amounts. Deviation from the budget is not allowed under the Uniform Budgeting Act and additional amendments should have been made to accurately appropriate City funds.

Criteria. 1968 PA 2, the Uniform Budgeting and Accounting Act, requires that a deviation from the original general appropriations act shall not be made without amending the budget. The amendment must be approved by the legislative body prior to the expenditure being made. There is no authority to amend the budget after year end.

Cause - The City did not adequately budget for activity items in the major and local street funds. The difference between the City's actual expenditures and final budgeted amounts were \$15,876 in major street fund and \$5,089



in local street fund.

Potential Effect. The City's operations could be negatively impacted as a result of cash management and expenditure control.

Recommendation. We recommend that the City regularly review financial results and compare those results to the budget, both the original and amended. Further, we recommend that management continue to proactively review revenues and expenditures by function and ensure all budget amendments are made before year end.

Management Response. Management concurs with this finding and will ensure that procedures are established to ensure proper monitoring and reviewing of the expenditures and revenues to ensure all budget amendments are made in a timely manner.

### **Section III**

#### **Matters for Management's Consideration**

In planning and performing our audit of the financial statements of the City, as of and for the year ended June 30, 2023, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.