

CITY OF PINCONNING
BAY COUNTY
STATE OF MICHIGAN

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2021

CITY OF PINCONNING
BAY COUNTY
STATE OF MICHIGAN

FINANCIAL STATEMENTS
FISCAL YEAR ENDED June 30, 2021

CITY OFFICIALS - As of June 30, 2021

Mayor	Vern Little
City Manager	Daniel Murawski
Council Member	Lorcie Ford
Council Member	Sherri Boettcher
Council Member	Stephanie Chant
Council Member	Valerie Morris
Council Member	Ann LaPorte
Council Member	Chris Kuehne
City Clerk	Becky Lakin
City Treasurer	Amy Bromberg

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CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MI 48708
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Partners:

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David G. Gwizdala, C.P.A.
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Members:

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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

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 City of Pinconning, State of Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Pinconning, State of Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

To the City Council
The City of Pinconning

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Pinconning, State of Michigan, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Budgetary Comparison Schedules, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Employer's Contributions, on pages 6-11 and 39-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pinconning, State of Michigan's basic financial statements. The Budgetary Comparison Schedule, combining and individual nonmajor fund financial statements, general fund detail, and indebtedness schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The general fund detail of expenditures, budgetary comparison schedules, DDA reconciliation of statement of revenues, expenditures and changes in fund balance to statement of activities, DDA balance sheet, DDA reconciliation of balance sheet to statement of net position, and the indebtedness schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, general fund detail of expenditures, and indebtedness schedules are fairly stated in all material respects in relation to the basic financial statements as a whole

To the City Council
The City of Pinconning

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, on our consideration of the City of Pinconning, State of Michigan'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 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, State of Michigan'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, State of Michigan's internal control over financial reporting and compliance.

QUAST, JANKE AND COMPANY



Quast, Janke & Co., C.P.A.'s
Bay City, MI 48708
November 23, 2021



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**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, 2021, and the related notes to the financial statements, which collectively comprise the City of Pinconning, State of Michigan's basic financial statements, and have issued our report thereon dated November 23, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Pinconning, State of Michigan's internal control over financial reporting (internal control) to determine the 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, State of Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Pinconning, State of Michigan'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.

To the City Council
The City of Pinconning

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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-002, 2021-003, 2021-004 and 2021-005 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pinconning, State of Michigan'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 determination of financial statement amounts. 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 *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-001.

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



Certified Public Accountants, P.C.
Bay City, MI 48708
November 23, 2021

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

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, 2021. 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, 2021, by \$3,416,458. Of this amount, \$40,251 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$73,484 during the year. Of this amount, the net position of the governmental activities increased by \$90,146 and the net position of the business-type activities decreased by \$16,661.

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, 2021

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, 2021

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 in 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 useful indicator of financial position. The following analysis shows the City's total changes in net position at June 30, 2021 and 2020.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 1,483,040	\$ 1,363,180	\$ 655,342	\$ 548,946	\$ 2,138,382	\$ 1,912,126
Capital assets net of accumulated depreciation	<u>589,620</u>	<u>601,784</u>	<u>3,868,226</u>	<u>4,095,859</u>	<u>4,457,846</u>	<u>4,697,643</u>
Total Assets	2,072,660	1,964,964	4,523,568	4,644,805	6,596,228	6,609,769
Deferred outflows of resources	4,971	34,590	237	3,844	5,208	38,434
LIABILITIES						
Current liabilities	43,138	33,971	154,524	120,548	197,662	154,519
Long-term liabilities	<u>947,056</u>	<u>968,292</u>	<u>2,090,259</u>	<u>2,182,418</u>	<u>3,037,315</u>	<u>3,150,710</u>
Total Liabilities	990,194	1,002,263	2,244,783	2,302,966	3,234,977	3,305,229
NET POSITION						
Invested in capital assets net of related debt	589,620	601,784	1,838,227	1,926,859	2,427,847	2,528,643
Restricted	693,904	573,508	254,457	247,355	948,361	820,863
Unrestricted	<u>(196,088)</u>	<u>(178,002)</u>	<u>236,339</u>	<u>171,468</u>	<u>40,251</u>	<u>(6,534)</u>
Total Net Position	\$ <u>1,087,436</u>	\$ <u>997,290</u>	\$ <u>2,329,023</u>	\$ <u>2,345,682</u>	\$ <u>3,416,459</u>	\$ <u>3,342,972</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. Total unrestricted net position, the part of net position that can be used to finance day-to-day operations

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

without constraints established by debt covenants, legislation, or other legal requirements is approximately \$40,251.

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	
	2021	2020	2021	2020	2021	2020
REVENUES						
Charges for services	\$ 96,182	\$ 113,082	\$ 822,565	\$ 728,330	\$ 918,747	\$ 841,412
Operating grants and contributions	317,323	284,823	0	0	317,323	284,823
Capital grants and contributions	42,595	66,700	0	563,507	42,595	630,207
GENERAL REVENUES						
Property taxes	415,255	396,459	0	0	415,255	396,459
State shared revenue	125,498	111,264	0	0	125,498	111,264
Unrestricted investment earnings	0	2,972	766	795	766	3,767
Other	(40,000)	0	40,000	0	0	0
Total Revenues	956,853	975,300	863,331	1,292,632	1,820,184	2,267,932
PROGRAM EXPENSES						
Legislative	12,413	10,254	0	0	12,413	10,254
General government	363,712	286,857	0	0	363,712	286,857
Public safety	136,510	238,637	0	0	136,510	238,637
Health and welfare	23,765	15,588	0	0	23,765	15,588
Streets and highways	85,852	67,297	0	0	85,852	67,297
Public Works	233,213	222,899	0	0	233,213	222,899
Unallocated	0	0	0	0	0	0
Recreation	11,243	9,188	0	0	11,243	9,188
Water and sewer	0	0	879,992	1,328,355	879,992	1,328,355
Total Expenses	866,708	850,720	879,992	1,328,355	1,746,700	2,179,075
INCREASE (DECREASE) IN NET POSITION	\$ 90,145	\$ 124,580	\$ (16,661)	\$ (35,723)	\$ 73,484	\$ 88,857

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pinconning completed its year, its Governmental Funds reported total fund balances of \$1,393,382 which is more than the \$1,282,689 total fund balance at June 30, 2020.

- The General Fund, the operating fund for the City, ended fiscal year 2021 with a \$699,478 balance compared to the prior year ending fund balance of \$709,181.
- Major Street Fund Balance increased by \$115,997
- Local Street Fund Balance increased by \$4,398

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

As the City of Pinconning completed its year, its Business-Type Funds reported total net position of \$2,329,022 which is less than the \$2,345,683 total net position at June 30, 2020.

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2021, the City amended the budget three (3) times. The amendment was 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 \$589,620 (net of accumulated depreciation) at June 30, 2021. Capital assets for Business-type Activities totaled \$3,868,226 (net of accumulated depreciation) at June 30, 2021. See Note 4 of the Financial Statements for more information about the City's capital assets.

LONG-TERM DEBT

At year end, the City had \$2,080,000 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	\$ 2,511,000
Balance June 30, 2020	1,675,000
Balance June 30, 2021	1,595,000
Original issue 2002 – Series A	544,000
Balance June 30, 2020	466,000
Balance June 30, 2021	458,000
Original issue 2002 – Series B	47,000
Balance June 30, 2020	28,000
Balance June 30, 2021	27,000

ECONOMIC FACTORS

Our elected officials consider many factors when setting the City's 2021 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.

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business -Type Activities	Total	
ASSETS:				
Cash	\$ 1,397,631.49	\$ 415,272.76	\$ 1,812,904.25	\$ 49,381.58
Delinquent taxes receivable	0.00	0.00	0.00	0.00
Other receivables	46,844.00	235,897.43	282,741.43	0.00
Prepaid	0.00	0.00	0.00	0.00
Inventory	0.00	4,171.69	4,171.69	0.00
Receivable from state	30,985.16	0.00	30,985.16	0.00
Due from component unit	7,578.62	0.00	7,578.62	0.00
Capital assets:				
Land	25,000.00	0.00	25,000.00	5,000.00
Buildings and improvements	955,204.00	3,452,333.64	4,407,537.64	140,015.91
Construction in progress	0.00	0.00	0.00	0.00
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	<u>(1,880,716.00)</u>	<u>(3,829,475.46)</u>	<u>(5,710,191.46)</u>	<u>(90,333.32)</u>
Total Assets	2,072,659.59	4,523,568.40	6,596,227.99	107,164.17
DEFERRED OUTFLOWS OF RESOURCES	4,971.00	237.00	5,208.00	0.00
LIABILITIES:				
Accounts payable	28,204.13	53,462.45	81,666.58	2,240.45
Accrued expenses	14,934.17	10,061.87	24,996.04	0.00
Due to other funds	0.00	0.00	0.00	0.00
Due to primary government	0.00	0.00	0.00	7,578.62
Customer deposits	46,519.00	0.00	46,519.00	0.00
Net pension liability	900,537.00	101,259.00	1,001,796.00	0.00
Notes and bonds payable				
Amount due within one year	0.00	91,000.00	91,000.00	0.00
Amount due more than one year	<u>0.00</u>	<u>1,989,000.00</u>	<u>1,989,000.00</u>	<u>0.00</u>
Total Liabilities	990,194.30	2,244,783.32	3,234,977.62	9,819.07
NET POSITION:				
Investment in capital assets net of related debt	589,620.32	1,838,226.52	2,427,846.84	57,782.59
Restricted major and local streets	693,903.54	0.00	693,903.54	0.00
Restricted for debt service	0.00	254,457.06	254,457.06	0.00
Unrestricted	<u>(196,087.57)</u>	<u>236,338.50</u>	<u>40,250.93</u>	<u>39,562.51</u>
Total Net Position	<u>\$ 1,087,436.29</u>	<u>\$ 2,329,022.08</u>	<u>\$ 3,416,458.37</u>	<u>\$ 97,345.10</u>

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, 2021

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	
PRIMARY GOVERNMENT:								
GOVERNMENTAL ACTIVITIES:								
Legislative	\$ 12,412.89	\$ 0.00	\$ 0.00	\$ 0.00	\$ (12,412.89)	\$ 0.00	\$ (12,412.89)	\$ 0.00
General government	363,712.31	72,383.20	129,668.87	42,594.99	(119,065.25)	0.00	(119,065.25)	0.00
Public safety	136,510.18	34.33	1,679.15	0.00	(134,796.70)	0.00	(134,796.70)	0.00
Health and Welfare	23,765.00	23,765.00	0.00	0.00	0.00	0.00	0.00	0.00
Streets and highways	85,851.55	0.00	185,974.65	0.00	100,123.10	0.00	100,123.10	0.00
Public works	233,213.40	0.00	0.00	0.00	(233,213.40)	0.00	(233,213.40)	0.00
Recreation and cultural	11,242.77	0.00	0.00	0.00	(11,242.77)	0.00	(11,242.77)	0.00
Total governmental activities	866,708.10	96,182.53	317,322.67	42,594.99	(410,607.91)	0.00	(410,607.91)	0.00
BUSINESS-TYPE ACTIVITIES								
Water	276,079.21	275,331.53	0.00	0.00	0.00	(747.68)	(747.68)	0.00
Sewer	603,912.93	547,233.18	0.00	0.00	0.00	(56,679.75)	(56,679.75)	0.00
Total Business-Type Activities	879,992.14	822,564.71	0.00	0.00	0.00	(57,427.43)	(57,427.43)	0.00
Total Primary Government	\$ <u>1,746,700.24</u>	\$ <u>918,747.24</u>	\$ <u>317,322.67</u>	\$ <u>42,594.99</u>	(410,607.91)	(57,427.43)	(468,035.34)	0.00
COMPONENT UNIT:								
Downtown Development Authority	<u>58,557.34</u>	<u>2,411.95</u>	<u>0.00</u>	<u>0.00</u>				(56,145.39)
GENERAL PURPOSE REVENUES:								
Property taxes - operating					332,815.44	0.00	332,815.44	61,530.26
Special assessment - refuse					82,440.00	0.00	82,440.00	0.00
State shared revenues					125,498.00	0.00	125,498.00	0.00
Unrestricted investment earnings					0.00	766.37	766.37	0.00
Transfers					(40,000.00)	40,000.00	0.00	0.00
Total General Purpose Revenues and Transfers					500,753.44	40,766.37	541,519.81	61,530.26
Change in Net Position					90,145.53	(16,661.06)	73,484.47	5,384.87
Net Position - Beginning of Year					997,290.76	2,345,683.14	3,342,973.90	91,960.23
Net Position - End of Year					\$ <u>1,087,436.29</u>	\$ <u>2,329,022.08</u>	\$ <u>3,416,458.37</u>	\$ <u>97,345.10</u>

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

CITY OF PINCONNING
Bay County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2021

	GENERAL	MAJOR STREETS	LOCAL STREETS	TOTAL
ASSETS:				
Cash	\$ 733,478.37	\$ 494,615.13	\$ 169,537.99	\$ 1,397,631.49
Delinquent taxes receivable	0.00	0.00	0.00	0.00
Other receivables	46,619.00	225.00	0.00	46,844.00
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	7,578.62	0.00	0.00	7,578.62
Due from state	0.00	22,671.55	8,313.61	30,985.16
Total Assets	\$ 787,675.99	\$ 517,511.68	\$ 177,851.60	\$ 1,483,039.27
LIABILITIES:				
Accounts payable	\$ 28,194.91	\$ 9.22	\$ 0.00	\$ 28,204.13
Unearned revenue	46,519.00	0.00	0.00	46,519.00
Accrued expenses	13,483.65	931.48	519.04	14,934.17
Due to component unit	0.00	0.00	0.00	0.00
Due to other funds	0.00	0.00	0.00	0.00
Total Liabilities	88,197.56	940.70	519.04	89,657.30
FUND BALANCES:				
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	516,570.98	177,332.56	693,903.54
Assigned	0.00	0.00	0.00	0.00
Unassigned	699,478.43	0.00	0.00	699,478.43
Total Fund Balances	699,478.43	516,570.98	177,332.56	1,393,381.97
TOTAL LIABILITIES AND FUND BALANCES	\$ 787,675.99	\$ 517,511.68	\$ 177,851.60	\$ 1,483,039.27

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, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,393,381.97
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		(1,880,716.00)
Deferred outflow of resources		4,971.00
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds		
Net pension liability		(900,537.00)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>1,087,436.29</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, 2021

	<u>GENERAL</u>	<u>MAJOR STREETS</u>	<u>LOCAL STREETS</u>	<u>TOTAL</u>
REVENUES:				
Taxes	\$ 438,753.94	\$ 0.00	\$ 0.00	\$ 438,753.94
State and federal grants	125,498.00	138,463.76	47,510.89	311,472.65
Intergovernmental other	173,943.01	0.00	0.00	173,943.01
License and permits	266.50	0.00	0.00	266.50
Charges for services	1,828.33	0.00	0.00	1,828.33
Interest and rentals	37,941.10	0.00	0.00	37,941.10
Other revenue	32,648.10	0.00	0.00	32,648.10
Total Revenues	810,878.98	138,463.76	47,510.89	996,853.63
EXPENDITURES:				
Legislative	12,412.89	0.00	0.00	12,412.89
General government	354,449.42	0.00	0.00	354,449.42
Public safety	132,010.26	0.00	0.00	132,010.26
Health and welfare	23,765.00	0.00	0.00	23,765.00
Public works	201,331.61	22,467.22	43,112.07	266,910.90
Cultural and recreation	7,697.77	0.00	0.00	7,697.77
Capital outlay	48,914.84	0.00	0.00	48,914.84
Unallocated	0.00	0.00	0.00	0.00
Total Expenditures	780,581.79	22,467.22	43,112.07	846,161.08
EXCESS OF REVENUES OVER EXPENDITURES	30,297.19	115,996.54	4,398.82	150,692.55
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	0.00	0.00	0.00	0.00
Transfer to other funds	(40,000.00)	0.00	0.00	(40,000.00)
Total Other Financing Sources (Uses)	(40,000.00)	0.00	0.00	(40,000.00)
NET CHANGE IN FUND BALANCES	(9,702.81)	115,996.54	4,398.82	110,692.55
FUND BALANCE - BEGINNING	709,181.24	400,574.44	172,933.74	1,282,689.42
FUND BALANCE - ENDING	\$ 699,478.43	\$ 516,570.98	\$ 177,332.56	\$ 1,393,381.97

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, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	110,692.55
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		(61,078.86)
Capital asset purchases capitalized		48,914.84
Pension expense		(8,383.00)
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>90,145.53</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, 2021

	Major Enterprise Funds		Business-Type Activities Total
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Common cash account	\$ 177,524.97	\$ (16,719.27)	\$ 160,805.70
Cash and cash equivalents	0.00	10.00	10.00
Accounts receivable	79,860.51	156,036.92	235,897.43
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	<u>257,385.48</u>	<u>143,499.34</u>	<u>400,884.82</u>
Noncurrent Assets:			
USDA RD 1996 bond reserve	0.00	146,583.53	146,583.53
USDA RD 1996 RRI	0.00	6,636.50	6,636.50
USDA RD 2002 bond reserve	0.00	36,107.53	36,107.53
USDA RD 2002 RRI	0.00	65,129.50	65,129.50
Capital Assets:			
Construction in progress	0.00	0.00	0.00
Buildings and Improvements	0.00	3,502,333.64	3,502,333.64
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	<u>(798,043.39)</u>	<u>(3,031,432.07)</u>	<u>(3,829,475.46)</u>
Total Capital Assets	<u>357,742.31</u>	<u>3,560,484.21</u>	<u>3,918,226.52</u>
Total Noncurrent Assets	<u>357,742.31</u>	<u>3,814,941.27</u>	<u>4,172,683.58</u>
Total Assets	615,127.79	3,958,440.61	4,573,568.40
DEFERRED OUTFLOW OF RESOURCES	59.00	178.00	237.00
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 39,826.55	\$ 13,635.90	\$ 53,462.45
Due to General Fund	0.00	0.00	0.00
Accrued expenses	(1,080.08)	11,141.95	10,061.87
Revenue bonds payable	0.00	91,000.00	91,000.00
Total Current Liabilities	<u>38,746.47</u>	<u>115,777.85</u>	<u>154,524.32</u>
Noncurrent Liabilities:			
Net pension liability	25,314.00	75,945.00	101,259.00
Revenue bonds payable	0.00	1,989,000.00	1,989,000.00
Total Noncurrent Liabilities	<u>25,314.00</u>	<u>2,064,945.00</u>	<u>2,090,259.00</u>
Total Liabilities	64,060.47	2,180,722.85	2,244,783.32
NET POSITION:			
Invested in capital assets net of related debt	357,742.31	1,480,484.21	1,838,226.52
Restricted for debt retirement	0.00	254,457.06	254,457.06
Unrestricted	<u>193,384.01</u>	<u>42,954.49</u>	<u>236,338.50</u>
Total Net Position	\$ <u>551,126.32</u>	\$ <u>1,777,895.76</u>	\$ <u>2,329,022.08</u>

Reconciliation of Government-Wide Statement of Net Position:

Net Position of Business-Type Activities \$ 2,329,022.08

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, 2021

OPERATING REVENUES:	Major Enterprise Funds		Business-Type
	Water Fund	Sewer Fund	Activities Total
Charges for Services -			
Water charges	\$ 261,876.98	\$ 0.00	\$ 261,876.98
Sewer charges	0.00	538,356.04	538,356.04
Septage income	0.00	0.00	0.00
Local Grants	6,155.00	0.00	6,155.00
Late payment fees	4,721.94	5,635.69	10,357.63
Miscellaneous	2,577.61	3,241.45	5,819.06
Total Operating Revenues	275,331.53	547,233.18	822,564.71
 OPERATING EXPENSES:			
Salaries	15,550.42	58,160.72	73,711.14
Fringes and taxes	29,420.38	27,619.27	57,039.65
Water - cost of goods sold	169,714.86	0.00	169,714.86
Contractual services	4,838.19	13,984.52	18,822.71
Supplies	3,131.75	23,713.61	26,845.36
Repairs and maintenance	372.25	17,772.55	18,144.80
Utilities	1,106.10	75,463.35	76,569.45
Insurance	2,260.96	11,369.21	13,630.17
Other	27,930.59	115,793.94	143,724.53
Depreciation	21,753.71	161,195.76	182,949.47
Total Operating Expenses	276,079.21	505,072.93	781,152.14
Operating Income	(747.68)	42,160.25	41,412.57
 NONOPERATING REVENUES(EXPENSES)			
Interest income	0.00	766.37	766.37
Federal grants	0.00	0.00	0.00
State grants	0.00	0.00	0.00
Loss on sale of capital asset	0.00	0.00	0.00
Interest expense	0.00	(98,840.00)	(98,840.00)
Total Nonoperating Revenues (Expenses)	0.00	(98,073.63)	(98,073.63)
Income before contributions and transfers	(747.68)	(55,913.38)	(56,661.06)
Transfers in	40,000.00	0.00	40,000.00
Transfers out	0.00	0.00	0.00
Total transfers in (out)	40,000.00	0.00	40,000.00
Change in Net Position	39,252.32	(55,913.38)	(16,661.06)
Net Position Beginning of Year	511,874.00	1,833,809.14	2,345,683.14
Net Position End of Year	\$ 551,126.32	\$ 1,777,895.76	\$ 2,329,022.08

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, 2021

	Major Enterprise Funds		Business-Type Activities Total
	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 249,075.65	\$ 515,707.20	\$ 764,782.85
Other operating cash receipts	6,155.00	(288,252.35)	(282,097.35)
Cash payments to suppliers for goods and services	(200,971.13)	0.0	(15,550.42)
Cash payments to employees for services	(15,550.42)	(57,845.5)	(258,816.65)
Net cash provided (used) by operating activities	38,709.10	169,609.33	208,318.43
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	40,000.00	0.00	40,000.00
Transfers to other funds	0.00	0.00	0.00
Net cash provided (used) by noncapital financing activities	40,000.00	0.00	40,000.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(1,000.00)	(4,316.53)	(5,316.53)
Capital grants	0.00	0.00	0.00
Proceeds from sale of capital assets	0.00	0.00	0.00
Interest paid on bonds	0.00	(98,840.00)	(98,840.00)
Principal payments on bonds	0.00	(89,000.00)	(89,000.00)
Change in net pension liability	(290.00)	(869.00)	(1,159.00)
Net cash provided (used) by capital and related financing activities	(1,290.00)	(193,025.53)	(193,156.53)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	0.00	766.37	766.37
Net increase (decrease) in cash	77,419.10	(22,649.83)	55,928.27
Cash and restricted cash beginning of year	100,105.87	260,397.62	360,503.49
Cash and restricted cash end of year	\$ 177,524.97	\$ 237,747.79	\$ 416,431.76
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (loss) from operations	\$ (747.68)	42,160.25	\$ 41,412.57
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	21,753.71	161,195.76	182,949.47
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(20,100.88)	(31,525.98)	(51,626.86)
(Increase) decrease in deferred outflows	902.00	2,705.00	3,607.00
Increase (decrease) in accounts payable	38,826.55	(879.79)	37,946.76
Increase (decrease) in accrued expenses	(1,924.60)	(4,045.91)	(5,970.51)
	0.00	127,449.08	166,905.86
Net Cash Provided (Used) in Operating Activities	\$ 38,709.10	\$ 169,609.33	\$ 208,318.43

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, 2021

	<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, 2021

ASSETS:

Current Assets:		
Cash	\$	49,381.58
Due from other funds		0.00
Other receivables		0.00
Total Current Assets		<u>49,381.58</u>
Noncurrent Assets:		
Land		5,000.00
Construction in progress		0.00
Equipment		3,100.00
Buildings and improvements		140,015.91
Accumulated depreciation		<u>(90,333.32)</u>
Total Noncurrent Assets		<u>57,782.59</u>
Total Assets		107,164.17

LIABILITIES:

Current Liabilities:		
Accounts payable		2,240.45
Due to Primary Government		7,578.62
Building authority bond		0.00
Total Current Liabilities		<u>9,819.07</u>
Noncurrent Liabilities:		
Building authority bond		<u>0.00</u>
Total Noncurrent Liabilities		<u>0.00</u>
Total Liabilities		9,819.07

NET POSITION:

Invested in capital assets net of related debt		57,782.59
Unrestricted		<u>39,562.51</u>
Total Net Position	\$	<u><u>97,345.10</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, 2021

<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>
DOWNTOWN DEVELOPMENT AUTHORITY					
Economic development	\$ 58,557.34	\$ 2,411.95	\$ 0.00	\$ 0.00	\$ (56,145.39)
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>58,557.34</u></u>	\$ <u><u>2,411.95</u></u>	\$ <u><u>0.00</u></u>	\$ <u><u>0.00</u></u>	\$ (56,145.39)
 GENERAL REVENUES:					
Property taxes					61,530.26
Transfer from General Fund					0.00
Net Loss on sale of assets					0.00
Unrestricted investment earnings					<u>0.00</u>
Total General Purpose Revenues and Transfers					<u>61,530.26</u>
Change in Net Position					5,384.87
Net Position - Beginning of Year					<u>91,960.23</u>
Net Position - End of Year					\$ <u><u>97,345.10</u></u>

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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 \$37,605 for operating purposes.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 FINANCIAL STATEMENTS
June 30, 2021

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 FINANCIAL STATEMENTS
June 30, 2021

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 29 before they are added to the county tax rolls.

The 2020 taxable valuation of City properties totaled \$24,291,682 The taxes levied and the resulting revenue by fund and component unit was as follows:

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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	\$ 352,678	\$ 33,447	\$ 319,231
Special Assessment-Refuse collection	N/A	82,440	N/A	82,440
Special Assessment-Ambulance	N/A	23,765	N/A	23,765
 Total Governmental Funds		\$ 458,883	\$ 33,447	\$ 425,436
 Capture from other units			28,083	
 Component Unit				
Downtown Development Authority	N/A		\$ 61,530	

I. RESTRICTED CASH:

The City's 1996 series A & B and 2002 series water and sewer bonds require that the City maintain a bond reserve account. The 1996 series A & B bond reserve account which is designated for bond principal and interest payments requires \$3,625.00 deposited into the account each quarter until there is an accumulated sum of \$145,000.00. The 2002 series bond reserve account which is designated for bond principal and interest payments requires \$900.00 deposited into the account each quarter until there is accumulated a sum of \$36,000.00. Total funds in the 1996 series A & B and 2002 bond reserve accounts at June 30, 2021 are \$146,583 and \$36,108 respectively. These funds are restricted to be used for future debt payments. Additionally, each bond requires a repair and replacement reserve account be established to fund future repairs. As noted in the findings and responses, the City has not fully funded the repair reserve accounts. The combined required reserve is \$234,150 as of June 30, 2021 and the City has funded the repair reserve accounts at \$6,637.

J. 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.

K: 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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City did not incur expenditures in excess of budgeted amounts in the General Fund:

NOTE 3. LONG-TERM DEBT:

Long-term obligation activity can be summarized as follows:

	Interest Rate	Principal Monthly Ranges	Beginning Balances	Additions (Deductions)	Ending Balance	Current Portion
BUSINESS – TYPE ACTIVITIES						
1996 Revenue Bond B	4.5	5,000/yr	0	(0)	0	0
1996 Revenue Bond A	4.5	5,000-155,500/yr	1,675,000	(80,000)	1,595,000	80,000
2002 Revenue Bond A	4.75	3,000-50,000/yr	466,000	(8,000)	458,000	10,000
2002 Revenue Bond B	4.75	1,000-3,000/yr	<u>28,000</u>	<u>(1,000)</u>	<u>27,000</u>	<u>1,000</u>
Total Business-Type Activity			<u>\$ 2,169,000</u>	<u>\$ (89,000)</u>	<u>\$ 2,080,000</u>	<u>\$ 91,000</u>

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3. LONG-TERM DEBT (continued):

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 91,000	99,173
2023	96,000	92,749
2024	101,000	88,516
2025	111,000	81,770
2026-2030	638,000	343,102
2031-2035	802,000	245,434
2036-2040	241,000	35,866
2041	-	-
Total	2,080,000	986,610

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Balance June 30, 2020</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2021</u>
Governmental activities:				
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	803,364	48,915	0	852,279
Infrastructure	637,853	0	0	637,853
Subtotal	2,421,421	48,915	0	2,470,336
Less accumulated depreciation	1,819,637	61,079	0	1,880,716
Net capital assets	<u>\$ 626,784</u>	<u>\$ (12,164)</u>	<u>\$ 0</u>	<u>\$ 614,620</u>
Business – type activities:				
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	213,779	5,317	0	219,096
Subtotal	7,692,385	5,317	0	7,697,702
Less accumulated depreciation	3,646,526	182,949	0	3,829,475
Net capital assets	<u>\$ 4,095,859</u>	<u>\$ (177,632)</u>	<u>\$ 0</u>	<u>\$ 3,918,227</u>

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 4. CAPITAL ASSETS (continued):

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2020</u>
Component Unit				
Capital assets not being depreciated				
Land	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Capital assets being depreciated				
Buildings and improvements	143,116	0	0	143,116
Less accumulated depreciation	<u>82,518</u>	<u>7,816</u>	<u>0</u>	<u>90,334</u>
Net capital assets being depreciated	<u>60,598</u>	<u>7,816</u>	<u>0</u>	<u>52,782</u>
Total Net Capital Assets	<u>\$ 65,598</u>	<u>\$ (7,816)</u>	<u>\$ 0</u>	<u>\$ 57,782</u>

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

Component Unit:	
DDA	\$ <u>7,816</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>
Water	<u>\$ 40,000</u>	General	<u>\$ 40,000</u>	Fund reserve requirement

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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 6. CUSTODIAL CREDIT RISK (continued):

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
\$ <u>1,397,631</u>	\$ <u>415,273</u>	\$ <u>1,812,904</u>	\$ <u>49,382</u>

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

Deposits	\$ 1,862,086
Investments	-
Petty Cash	<u>200</u>
Total	<u>\$ 1,862,286</u>

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	557,483
Category 2	-
Category 3	<u>1,304,803</u>
Total	<u>1,862,286</u>

NOTE 7. DEFINED BENEFIT PENSION PLAN:

Plan Description

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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

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, 2020 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	2
Active Employees	<u>3</u>
Total	<u>20</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 1.43% to 94.38% based on annual payroll for open divisions.

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement include: 1) Inflation 2.5%; 2) Salaries increases 3.00% in the long-term, 3) Investment rate of return 7.35%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of 50% male and 50% female blend

A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement Board and are effective beginning with the December 31, 2020 actuarial valuation, first impacting 2022 contributions.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return 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%	4.65%
Global Fixed Income	20.0%	0.75%
Private Investments	20.0%	9.75%

Discount Rate

The discount rate used to measure the total pension liability is 7.6%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employees. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

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

		<u>12/31/2020</u>
Total Pension Liability		
Service cost	\$	10,231
Interest on the total pension liability		155,677
Difference between expected and actual experience		(39,935)
Other changes		64,585
Benefit payments and refunds		<u>(185,663)</u>
Net change in total pension liability		4,895
Total pension liability - beginning		<u>2,205,771</u>
Total pension liability - ending (a)	\$	<u><u>2,210,666</u></u>
 Plan Fiduciary Net Position		
Employer contributions	\$	71,403
Employee contributions		7,392
Pension plan net investment income		136,688
Benefit payments and refunds		(185,663)
Pension plan administrative expense		<u>(2,529)</u>
Net change in plan fiduciary net position		27,291
Plan fiduciary net position - beginning		<u>1,181,579</u>
Plan fiduciary net position - ending (b)		<u>1,208,870</u>
Net pension liability (a-b)	\$	<u><u>1,001,796</u></u>

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

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

The following presents the net pension liability of the employer, calculated using the discount rate of 7.6%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease <u>6.60%</u>	Current Discount Rate <u>7.60%</u>	1% Increase <u>8.60%</u>
Change in Net Pension Liability	\$ 200,613	\$ 0	\$ (172,970)
Calculated Net Pension Liability	\$ 1,202,409	\$ 1,001,796	\$ 828,826

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

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

For the year ended June 30, 2021, the employer recognized pension expense of \$8,383. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Experience	\$ 0	\$ 0
Differences in Assumptions	0	0
Excess (Deficit) Investment Returns	<u>(36,436)</u>	<u>0</u>
Total to be smoothed over 5 years	(36,436)	0
Contributions Subsequent to the Measurement Date*	<u>41,644</u>	<u>0</u>
Total	<u>\$ 5,208</u>	<u>\$ 0</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2021.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

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

<u>Year Ended</u>	
2021	(7,244)
2022	5,565
2023	(23,989)
2024	<u>(10,771)</u>
Total	(36,438)

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 November 23, 2021, 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.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 10. FUND BALANCE CLASSIFICATIONS (continued):

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.

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 - Sometime 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, 2021, the City's property tax revenue was reduced by \$1,217 under these programs.

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, 2021

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Taxes	\$ 318,750.00	\$ 318,750.00	\$ 332,548.94	\$ 13,798.94
Special assessment solid waste	80,000.00	80,000.00	82,440.00	2,440.00
Special assessment ambulance	21,630.00	21,630.00	23,765.00	2,135.00
State revenue sharing	180,000.00	180,000.00	125,498.00	(54,502.00)
Other state and local	80,000.00	80,000.00	173,943.01	93,943.01
Charges for services	2,500.00	2,500.00	1,828.33	(671.67)
License and permits	0.00	0.00	266.50	266.50
Interest and rental	54,000.00	40,000.00	37,941.10	(2,058.90)
Other revenue	<u>0.00</u>	<u>14,000.00</u>	<u>32,648.10</u>	<u>18,648.10</u>
Total Revenues	736,880.00	736,880.00	810,878.98	73,998.98
EXPENDITURES:				
Legislative	10,250.00	12,510.00	12,412.89	97.11
General Government -				
City Manager	69,150.00	69,150.00	63,311.12	5,838.88
Elections	3,800.00	5,800.00	5,112.12	687.88
Assessor	18,906.00	18,900.00	15,960.20	2,939.80
Accounting	0.00	0.00	0.00	0.00
Board of Review	1,575.00	1,575.00	882.34	692.66
Treasurer	42,025.00	42,025.00	40,351.66	1,673.34
Clerk	51,456.00	51,456.00	43,665.39	7,790.61
City Hall	187,900.00	188,900.00	188,606.87	293.13
Public Safety -				
Fire	118,000.00	118,000.00	115,604.78	2,395.22
Police	38,053.00	28,053.00	16,405.48	11,647.52
Health and Welfare-				
Ambulance	21,630.00	24,630.00	23,765.00	865.00
Public Works -				
Sanitation	110,000.00	110,000.00	83,702.90	26,297.10
Street lighting	22,500.00	23,500.00	22,960.48	539.52
Planning	0.00	0.00	0.00	0.00
Department of public works	173,220.00	173,220.00	140,142.79	33,077.21
Cultural and Recreation -				
Parks	0.00	15,700.00	7,697.77	8,002.23
Unallocated	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Expenditures	868,465.00	883,419.00	780,581.79	102,837.21
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	0.00	0.00	0.00	0.00
Transfer to other funds	<u>(180,750.00)</u>	<u>(180,750.00)</u>	<u>(40,000.00)</u>	<u>140,750.00</u>
Net Other Financing Sources (Uses)	<u>(180,750.00)</u>	<u>(180,750.00)</u>	<u>(40,000.00)</u>	<u>0.00</u>
NET CHANGE IN FUND BALANCE	(312,335.00)	(327,289.00)	(9,702.81)	317,586.19
FUND BALANCE - Beginning of Year	<u>318,650.00</u>	<u>709,181.24</u>	<u>709,181.24</u>	<u>0.00</u>
FUND BALANCE - End of Year	\$ <u>6,315.00</u>	\$ <u>381,892.24</u>	\$ <u>699,478.43</u>	<u>317,586.19</u>

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, 2021

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES:				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
State grants	100,000.00	100,000.00	138,463.76	38,463.76
Local contribution	0.00	0.00	0.00	0.00
Interest and rentals	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Revenues	100,000.00	100,000.00	138,463.76	38,463.76
EXPENDITURES:				
Public Works-				
Preservation	34,000.00	34,000.00	17,356.62	16,643.38
Signals and signs	2,300.00	2,300.00	1,777.84	522.16
Winter maintenance	4,000.00	4,000.00	2,415.78	1,584.22
Non-Motorized	3,000.00	3,000.00	0.00	3,000.00
Administration	<u>12,427.00</u>	<u>12,427.00</u>	<u>916.98</u>	<u>11,510.02</u>
Total Expenditures	<u>55,727.00</u>	<u>55,727.00</u>	<u>22,467.22</u>	<u>33,259.78</u>
EXCESS REVENUES OVER EXPENDITURES	44,273.00	44,273.00	115,996.54	71,723.54
OTHER FINANCING SOURCES (USES):				
Transfer in Local Street Fund	0.00	0.00	0.00	0.00
Transfer out Local Street Fund	<u>(43,500.00)</u>	<u>(43,500.00)</u>	<u>0.00</u>	<u>43,500.00</u>
Total Other Sources (Uses)	<u>(43,500.00)</u>	<u>(43,500.00)</u>	<u>0.00</u>	<u>43,500.00</u>
Excess (deficiency) of revenues over expenditures and other uses	773.00	773.00	115,996.54	115,223.54
FUND BALANCE - Beginning of Year	<u>345,000.00</u>	<u>400,574.44</u>	<u>400,574.44</u>	<u>0.00</u>
FUND BALANCE - End of Year	\$ <u><u>345,773.00</u></u>	\$ <u><u>401,347.44</u></u>	\$ <u><u>516,570.98</u></u>	<u><u>115,223.54</u></u>

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, 2021

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
State grants	30,000.00	30,000.00	47,510.89	17,510.89
Interest and rentals	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Revenues	30,000.00	30,000.00	47,510.89	17,510.89
EXPENDITURES:				
Public Works-				
Preservation	32,000.00	42,000.00	39,559.58	2,440.42
Signals and signs	1,500.00	1,500.00	594.62	905.38
Winter maintenance	4,000.00	4,000.00	2,410.49	1,589.51
Administration	12,427.00	2,427.00	547.38	1,879.62
Nonmotorized	<u>1,000.00</u>	<u>1,000.00</u>	<u>0.00</u>	<u>1,000.00</u>
Total Expenditures	<u>50,927.00</u>	<u>50,927.00</u>	<u>43,112.07</u>	<u>7,814.93</u>
EXCESS REVENUES OVER EXPENDITURES	(20,927.00)	(20,927.00)	4,398.82	25,325.82
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	<u>43,500.00</u>	<u>43,500.00</u>	<u>0.00</u>	<u>(43,500.00)</u>
Total Other Sources (Uses)	43,500.00	43,500.00	0.00	(43,500.00)
Excess (deficiency) of revenues over expenditures and other uses	22,573.00	22,573.00	4,398.82	(18,174.18)
FUND BALANCE - Beginning of Year	<u>105,984.00</u>	<u>172,933.74</u>	<u>172,933.74</u>	<u>0.00</u>
FUND BALANCE - End of Year	\$ <u><u>128,557.00</u></u>	\$ <u><u>195,506.74</u></u>	\$ <u><u>177,332.56</u></u>	<u><u>(18,174.18)</u></u>

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, 2021

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 10,231	\$ 18,124	\$ 16,596	\$ 16,734	\$ 20,955	\$ 31,092	\$ 28,324
Interest on the total pension liability	155,677	160,912	170,595	178,759	172,687	167,686	165,520
Difference between expected and actual experience	(39,935)	(58,841)	(5,822)	(104,887)	64,516	13,798	-
Changes in assumptions	59,290	67,260	-	0	0	95,300	-
Other changes	5,295	8,471	(1)	(1)	0	(230)	(1)
Benefits payments and refunds	(185,663)	(196,722)	(197,884)	(187,290)	(172,994)	(180,111)	(157,826)
Net change in total pension liability	4,895	(796)	(16,516)	(96,685)	85,164	127,535	36,017
Total pension liability - beginning	2,205,771	2,206,567	2,223,083	2,319,768	2,234,604	2,107,069	2,071,052
Total pension liability - ending (a)	<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>
Plan Fiduciary Net Position							
Employer contributions	\$ 71,403	\$ 72,410	\$ 67,354	\$ 51,543	\$ 68,101	\$ 52,445	\$ 39,475
Employee contributions	7,392	12,411	9,124	10,599	18,539	16,444	15,121
Pension plan net investment income	136,688	148,932	(47,277)	161,671	136,855	(18,997)	85,917
Benefit payment and refunds	(185,663)	(196,722)	(197,884)	(187,290)	(172,994)	(180,111)	(157,826)
Pension plan administrative expense	(2,529)	(2,560)	(2,452)	(2,574)	(2,707)	(2,897)	(3,133)
Net change in plan fiduciary net position	27,291	34,471	(171,135)	33,949	47,794	(133,116)	(20,446)
Plan fiduciary net position - beginning	1,181,579	1,147,108	1,318,243	1,284,294	1,236,500	1,369,616	1,390,062
Plan fiduciary net position - ending (b)	1,208,870	1,181,579	1,147,108	1,318,243	1,284,294	1,236,500	1,369,616
Net pension liability (a-b)	<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	54.68%	53.57%	51.99%	59.30%	55.36%	55.33%	65.00%
Covered employee payroll	\$ 112,453	\$ 188,654	\$ 167,034	\$ 218,444	\$ 231,284	\$ 273,808	\$ 260,761
Net pension liability as a percentage of covered employee payroll	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, 2021

MERS Plan Year End December 31	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial Determined Contributions	\$ 0	\$ 0	\$ 0	\$ 71,402	\$ 72,410	\$ 67,354	\$ 51,543	\$ 68,101	\$ 52,445	\$ 39,476
Determined contribution		0	0	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	\$ 0	\$ 0	\$ 112,453	\$ 188,654	\$ 167,034	\$ 218,444	\$ 231,284	\$ 273,808	\$ 260,761
Contributions as a percentage of covered employee payroll				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, 2021

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 50,000.00	\$ 50,000.00	\$ 61,530.26	\$ 11,530.26
Sale of assets	0.00	0.00	0.00	0.00
Other income	0.00	0.00	2,411.95	2,411.95
Interest	<u>50.00</u>	<u>50.00</u>	<u>0.00</u>	<u>(50.00)</u>
Total Revenues	50,050.00	50,050.00	63,942.21	13,892.21
EXPENDITURES:				
Economic Development:				
Building maintenance	16,200.00	16,200.00	10,127.20	6,072.80
Administrative fees	0.00	0.00	0.00	0.00
Project activities	28,850.00	28,850.00	37,831.76	(8,981.76)
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	<u>5,000.00</u>	<u>5,000.00</u>	<u>2,782.50</u>	<u>2,217.50</u>
Total Expenditures	50,050.00	50,050.00	50,741.46	(6,764.26)
EXCESS REVENUES OVER EXPENDITURES	0.00	0.00	13,200.75	13,200.75
OTHER FINANCING SOURCES (USES):				
Transfer in	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Excess (deficiency) of revenues over expenditures and other uses	0.00	0.00	13,200.75	<u>13,200.75</u>
FUND BALANCE - Beginning of Year	<u>26,361.76</u>	<u>26,361.76</u>	<u>26,361.76</u>	
FUND BALANCE - End of Year	\$ <u>26,361.76</u>	\$ <u>26,361.76</u>	\$ <u>39,562.51</u>	

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, 2021

NET CHANGE IN FUND BALANCE	\$	13,200.75
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		(7,815.88)
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>5,384.87</u>

CITY OF PINCONNING
Bay County, Michigan

COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
June 30, 2021

ASSETS:

Current Assets:

Cash	\$	49,381.58
Due from other funds		0.00
Taxes receivable		<u>0.00</u>

Total Current Assets	\$	<u><u>49,381.58</u></u>
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LIABILITIES:

Current Liabilities:

Accounts payable	\$	2,240.45
Due to General Fund		<u>7,578.62</u>

Total Current Liabilities		9,819.07
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Fund Balance

Unrestricted		<u>39,562.51</u>
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Total Liabilities and Fund Balance	\$	<u><u>49,381.58</u></u>
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CITY OF PINCONNING
Bay County, Michigan

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2021

FUND BALANCES ON BALANCE SHEET	\$ 39,562.51
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	(90,333.32)
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>97,345.10</u>

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2021

REVENUES:

Taxes -	
Current tax levy	\$ 319,214.66
Special assessment solid waste	82,440.00
Ambulance	23,765.00
Penalties and interest	894.56
Collection fee	<u>12,439.72</u>
Total taxes	438,753.94
State and Local Grants -	
State revenue sharing	125,498.00
Metro act	6,198.39
Liquor license fees	1,679.15
Stabilization	123,470.48
Local grant	<u>42,594.99</u>
	299,441.01
Licenses and permits -	
Mobile home park	<u>266.50</u>
Total licenses and permits	266.50
Charges for Services -	
City services	1,794.00
Police services	<u>34.33</u>
Total charges for services	1,828.33
Interest and Rentals -	
Equipment rental	37,941.10
Misc income	32,648.10
Interest	<u>0.00</u>
Total interest and rentals	<u>70,589.20</u>
Total Revenues	810,878.98
EXPENDITURES	780,581.79
OTHER FINANCING SOURCES (USES)	
Transfer to Sewer	(40,000.00)
Total other uses	<u>(40,000.00)</u>
NET CHANGE IN FUND BALANCE	(9,702.81)
FUND BALANCE - July 1, 2020	<u>709,181.24</u>
FUND BALANCE - June 30, 2021	<u>\$ 699,478.43</u>

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES
Year Ended June 30, 2021

EXPENDITURES:

LEGISLATIVE:

Mayor and City Council -

Salaries	\$ 11,410.00
Fringes and taxes	872.89
Membership dues	0.00
Audit	0.00
Supplies and other	<u>130.00</u>

Total Legislative 12,412.89

GENERAL GOVERNMENT:

City Manager -

Wages	51,453.63
Fringes and taxes	11,607.49
Telephone	0.00
Mileage and other	<u>250.00</u>

Total Manager 63,311.12

Elections -

Wages	3,924.06
Supplies	812.88
Printing and publication	<u>375.18</u>

Total Elections 5,112.12

Assessor -

Contracted service	12,430.00
County tax roll service	2,061.16
Supplies and other costs	<u>1,469.04</u>

Total Assessor 15,960.20

Board of Review -

Fees	792.71
Other costs	<u>89.63</u>

Total Board of Review 882.34

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2021

EXPENDITURES (CONT.):

GENERAL GOVERNMENT (CONT.):

Treasurer -	
Salaries	\$ 36,893.20
Fringes and taxes	2,928.48
Mileage	54.98
Meetings	450.00
Supplies and other	<u>25.00</u>
Total Treasurer	40,351.66
Clerk -	
Salaries	40,129.01
Fringes and taxes	3,356.04
Mileage	35.34
Meetings	145.00
Supplies and other	<u>0.00</u>
Total Clerk	43,665.39
City Hall and Grounds -	
Custodial	2,584.50
Retirement	58,121.98
Advertising	3,141.24
Supplies	1,751.80
Office	4,708.19
Legal	7,263.00
Insurance	19,395.61
Utilities	7,841.45
Repairs and maintenance	76,296.06
Telephone	4,062.76
Capital outlay	<u>3,440.28</u>
Total City Hall	<u>188,606.87</u>
Total General Government	357,889.70
PUBLIC SAFETY:	
Fire Department -	
Contracted fire protection	37,604.78
Hydrant rental	78,000.00
Capital outlay	<u>0.00</u>
Total Fire Department	115,604.78

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
 DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2021

EXPENDITURES (CONT.):	
PUBLIC SAFETY (CONT.)	
Police -	
Salaries	\$ 7,458.07
Fringes and taxes	953.74
Office	0.00
Gas and oil	0.00
Legal	0.00
Supplies	0.00
Uniforms	311.95
Contracted services	0.00
Telephone	607.56
Training	750.00
Insurance	6,324.16
Capital outlay	0.00
Vehicle maintenance	0.00
Other costs	<u>0.00</u>
Total Police	<u>16,405.48</u>
Total Public Safety	132,010.26
HEALTH AND WELFARE	
Ambulance -	
Contracted service	23,765.00
PUBLIC WORKS:	
Sanitation -	
Refuse contract	83,702.90
Street Lighting	22,960.48
Department of Public Works -	
Salaries	40,900.54
Fringes and taxes	18,295.67
Supplies	6,048.08
Uniforms	1,373.51
Gas and oil	3,986.03
Telephone	544.94
Insurance	11,369.21
Utilities	4,469.51
Maintenance and repairs	7,680.74
Capital outlay	<u>45,474.56</u>
Total DPW	140,142.79
Planning and Zoning -	<u>0.00</u>
Total Public Works	246,806.17
RECREATION AND CULTURAL:	
Parks and Recreation -	
Utilities	2,860.29
Repairs and maintenance	310.00
Insurance	4,464.25
Supplies and other	63.23
Capital outlay	<u>0.00</u>
Total Recreation and Cultural	7,697.77
UNALLOCATED	
Health insurance and other fringes	0.00
Retirement	<u>0.00</u>
Total Unallocated	<u>0.00</u>
Total Expenditures	<u>\$ 780,581.79</u>

CITY OF PINCONNING
Bay County, Michigan

2002 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BOND SERIES A
 SCHEDULE OF INDEBTEDNESS
June 30, 2021

TYPE OF ISSUE: Revenue Bond
 PURPOSE OF ISSUE: Water and Sewage System Improvements
 INTEREST RATE: 4.75%
 TOTAL AUTHORIZED ISSUE: 544,000

<u>Date</u>	<u>June 1</u>		<u>December 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest Only</u>		
2021	\$ -	\$ -	\$ 10,877	\$	10,877
2022	10,877	10,000	10,640		31,517
2023	10,640	10,000	10,402		31,042
2024	10,402	10,000	10,165		30,567
2025	10,165	15,000	9,809		34,974
2026	9,809	15,000	9,453		34,262
2027	9,453	15,000	9,096		33,549
2028	9,096	15,000	8,740		32,836
2029	8,740	18,000	8,313		35,053
2030	8,313	20,000	7,838		36,151
2031	7,838	20,000	7,363		35,201
2032	7,363	20,000	6,888		34,251
2033	6,888	20,000	6,413		33,301
2034	6,413	20,000	5,938		32,351
2035	5,938	20,000	5,463		31,401
2036	5,463	40,000	4,513		49,976
2037	4,513	40,000	3,563		48,076
2038	3,563	50,000	2,375		55,938
2039	2,375	50,000	1,188		53,563
2040	1,188	50,000	0		51,188
	\$ <u>139,037</u>	\$ <u>458,000</u>	\$ <u>139,037</u>	\$	<u>736,074</u>

CITY OF PINCONNING
Bay County, Michigan

2002 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BOND SERIES B
 SCHEDULE OF INDEBTEDNESS
June 30, 2021

TYPE OF ISSUE: REVENUE BOND
 PURPOSE OF ISSUE: WATER AND SEWAGE SYSTEM IMPROVEMENTS
 INTEREST RATE: 4.75%
 ORIGINAL ISSUE: 47,000

Date	June 1		December 1		Total
	Principal	Interest	Interest Only		
2021	\$ -	\$ -	\$ 641	\$ 641	
2022	1,000	641	617		2,258
2023	1,000	617	594		2,211
2024	1,000	594	570		2,164
2025	1,000	570	546		2,116
2026	1,000	546	523		2,069
2027	1,000	523	499		2,022
2028	1,000	499	475		1,974
2029	1,000	475	451		1,926
2030	1,000	451	428		1,879
2031	1,000	428	404		1,832
2032	1,000	404	380		1,784
2033	1,000	380	356		1,736
2034	2,000	356	309		2,665
2035	2,000	309	261		2,570
2036	2,000	261	214		2,475
2037	2,000	214	166		2,380
2038	2,000	166	119		2,285
2039	2,000	119	71		2,190
2040	3,000	71	0		3,071
	\$ <u>27,000</u>	\$ <u>7,624</u>	\$ <u>7,624</u>	\$ <u>42,248</u>	

CITY OF PINCONNING
Bay County, Michigan

1996 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES A
 WATER AND SEWER FUND
 SCHEDULE OF INDEBTEDNESS
June 30, 2021

TYPE OF ISSUE: Revenue Bonds
 PURPOSE OF ISSUE: Water Supply System and Sewage Disposal
 INTEREST RATE: 4.5%
 ORIGINAL ISSUE: 2,511,000

<u>Date</u>	<u>June 1</u>		<u>December 1</u>		<u>Totals</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2021	\$ -	\$ -	\$ 35,888	\$	35,888
2022	35,887	80,000	34,087		149,974
2023	34,088	85,000	32,175		151,263
2024	32,175	90,000	30,150		152,325
2025	30,150	95,000	28,013		153,163
2026	28,013	100,000	25,762		153,775
2027	25,762	105,000	23,400		154,162
2028	23,400	110,000	20,925		154,325
2029	20,925	115,000	18,338		154,263
2030	18,338	120,000	15,637		153,975
2031	15,637	125,000	12,825		153,462
2032	12,825	135,000	9,788		157,613
2033	9,788	135,000	6,750		151,538
2034	6,750	145,000	3,487		155,237
2035	3,487	155,000	0		158,487
	<u>\$ 297,225</u>	<u>\$ 1,595,000</u>	<u>\$ 297,225</u>	<u>\$</u>	<u>2,189,450</u>

CITY OF PINCONNING
Bay County, Michigan

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

2021-001- Noncompliance with USDA Reserve Requirements (repeat)

Condition – The City failed to comply with the USDA reserve and repair and replacements requirements that are a condition of the USDA bonds that the City is obligated to repay.

Criteria – In accordance with various bond documents, as issued by the USDA and as agreed to by the City of Pinconning, reserve requirements exist that are currently underfunded. The City maintains separate bank accounts designated for the repair and replacement accounts and are not fully funded. The City bond reserve accounts for future debt payments are fully funded.

Potential Effect – Failure to maintain reserve and repair requirements as outlined in the bond documents could cause the City to undergo corrective action as set forth by the USDA.

Cause – The City is currently working on fully funding the RRI accounts.

Recommendation – We recommend that management review the USDA reserve and replacement requirements and immediately take steps to ensure that all requirements are met and that the restricted cash balances are adequately separated from the City's operating cash.

Material Weaknesses

2021-002- Material Audit Adjustments (repeat)

Condition – Material audit adjustments were necessary to adjust cash, accounts receivable, accounts payable, grant income and expenses and state shared revenues.

Criteria – Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Potential Effect – Without identification by independent, external auditors, and subsequent adjustment, the financial statements of the City would be materially misstated.

Cause – The City incurred turnover of all staff during the year causing many transactions and processes to go unrecorded. Corrections to various accounts were not completed until after year end and upon auditor discovery.

Recommendation – We recommend that management record all accounting transactions as they occur for completeness and evaluate all accounting entries to be made into the general ledger for appropriateness as well as accuracy. Reconciling bank statements and posting all transactions accurately, as well as analyzing each journal entry, specifically, for compliance with GAAP and for recording accuracy, would help to alleviate these issues.

CITY OF PINCONNING
Bay County, Michigan

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

2021-003- Bank Reconciliations (repeat)

Condition – Bank reconciliations were not performed timely.

Criteria – Management is responsible for maintaining accounting records and appropriate support, such as bank reconciliations. Each reconciliation should be performed timely, and the balance should be reconciled to the general ledger.

Potential Effect – The City could be misstating its cash balance or have misappropriated cash that is not discovered timely through traditional risk prevention techniques such as bank reconciliations.

Cause - The City continues to have turnover of key staff during the year causing transactions and processes to go unrecorded. Reconciliations were not done timely, however by year end bank reconciliations are current and complete.

Recommendation – All bank accounts should be reconciled monthly, without exception. We recommend that management strengthen internal controls by directly supervising the bank reconciliation process and checking for details and accuracy in the reconciliation. Further, the reconciled balances should be checked back to the general ledger to ensure balancing accuracy.

2020-004- Financial Statement Preparation (repeat)

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.

CITY OF PINCONNING
Bay County, Michigan

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

2020-005- Segregation of Duties (repeat)

Condition – During the course of our audit, we noted several instances where multiple key financial duties were being performed by the same individual and the mitigating controls in place were not sufficient to ensure effective internal controls. Specifically, we found that the following incompatible functions are being performed by the same individual:

1. The individual who makes deposits also enters cash receipting and attempts to reconcile the bank accounts.
2. We found little or no review of accounting functions performed by staff that were reviewed or monitored by management or Council.
3. Some of the reporting provided to Council at regular meeting was not information derived from the City's accounting records and the resulting information was not reflected in the City's financial records.

Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the City's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

Potential Effect – As a result of this condition, the City is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely basis.

Cause – The condition is a result of the City's limited financial resources, the turnover and the small size of its accounting staff.

Recommendation – While there are no easy solutions to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management or the Council as much as possible.