

CITY OF PINCONNING
BAY COUNTY
STATE OF MICHIGAN

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2024

CITY OF PINCONNING

CITY OFFICIALS - As of June 30, 2024

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business – type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the City of Pinconning, State of Michigan, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Pinconning's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pinconning, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Pinconning's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pinconning's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Employer's Contributions, on pages 4-8 and 37-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pinconning's basic financial statements. The Downtown Development Authority statements and schedules, the general fund statements, the general fund detail of expenditures, and the indebtedness schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Downtown Development Authority statements and schedules, the general fund statements, the general fund detail of expenditures, and the indebtedness schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2024, on our consideration of the City of Pinconning's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Pinconning's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pinconning's internal control over financial reporting and compliance.

QUAST, JANKE AND COMPANY



Quast, Janke & Co., C.P.A.'s
Bay City, MI 48708
December 11, 2024

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

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, 2024. 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, 2024, by \$3,038,250. Of this amount, \$444,808 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$2,416 during the year. Of this amount, the net position of the governmental activities increased by \$123,910 and the net position of the business-type activities decreased by \$121,494.

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, 2024

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, 2024

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

Fiduciary Funds

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

GOVERNMENT- WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The following analysis shows the City's total changes in net position at June 30, 2024 and 2023.

	Governmental Activities		Business-Type Activities		Total	
Assets	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 1,398,186	\$ 1,615,788	\$ 520,424	\$ 545,907	\$ 1,918,610	\$ 2,161,695
Capital assets net of accumulated depreciation	435,793	478,272	3,372,670	3,552,614	3,808,463	4,030,886
Total Assets	1,833,979	2,094,060	3,893,094	4,098,521	5,727,073	6,192,581
Deferred outflows of resources	89,491	126,230	9,946	14,027	99,437	140,257
LIABILITIES						
Current liabilities	44,848	316,184	165,285	20,168	210,133	336,352
Long-term liabilities	881,200	1,022,342	1,638,908	1,864,593	2,520,108	2,886,935
Total Liabilities	926,048	1,338,526	1,804,193	1,884,761	2,730,241	3,223,287
Deferred outflows of resources	58,019	66,272	-	7,446	58,019	73,718
NET POSITION						
Invested in capital assets net of related debt	435,793	478,272	1,726,670	1,801,614	2,162,463	2,279,886
Restricted	430,979	375,614	-	-	430,979	375,614
Unrestricted	72,631	(38,394)	372,177	418,727	444,808	380,333
Total Net Position	\$ 939,403	\$ 815,492	\$ 2,098,847	\$ 2,220,341	\$ 3,038,250	\$ 3,035,833

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

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

Total unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately \$444,808.

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	
	2024	2023	2024	2023	2024	2023
REVENUES						
Charges for services	\$ 88,782	\$ 82,501	\$ 615,536	\$ 718,723	\$ 704,318	\$ 801,224
Operating grants and contributions	346,155	227,294	-	-	346,155	227,294
Capital grants and contributions	31,851	134,441	131,579	45,000	163,430	179,441
GENERAL REVENUES						
Property taxes	562,043	498,911	-	-	562,043	498,911
State shared revenue	165,146	162,005	-	-	165,146	162,005
Unrestricted investment earnings	42,627	38,053	1,633	127	44,260	38,180
Other	37,184	20,872	-	-	37,184	20,872
Total Revenues	1,273,788	1,164,077	748,748	763,850	2,022,536	1,927,927
PROGRAM EXPENSES						
Legislative	12,574	17,007	-	-	12,574	17,007
General government	400,375	368,107	-	-	400,375	368,107
Public safety	205,108	158,651	-	-	205,108	158,651
Health and welfare	74,074	35,235	-	-	74,074	35,235
Streets and highways	164,887	640,038	-	-	164,887	640,038
Public Works	287,110	267,786	-	-	287,110	267,786
Unallocated	-	-	-	-	-	-
Recreation	5,750	4,315.00	-	-	5,750.00	4,315.00
Water and sewer	-	-	870,242	877,942	870,242	877,942
Total Expenses	1,149,878	1,491,139	870,242	877,942	2,020,120	2,369,081
INCREASE (DECREASE)						
IN NET POSITION	\$ 123,910	\$ (327,062)	\$ (121,494)	\$ (114,092)	\$ 2,416	\$ (441,154)

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pinconning completed its year, its Governmental Funds reported total fund balances of \$1,295,319 which is more than the \$1,233,332 total fund balance at June 30, 2023.

- The General Fund, the operating fund for the City, ended fiscal year 2024 with a \$864,340 balance compared to the prior year ending fund balance of \$857,718.
- Major Street Fund Balance increased by \$2,833.
- Local Street Fund Balance increased by \$52,532.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

As the City of Pinconning completed its year, its Business-Type Funds reported total net position of \$2,098,847 which is less than the \$2,220,341 total net position at June 30, 2023.

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2024, the City amended the budget several times. The amendments were done to cover unbudgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City's investment in capital assets, including land, buildings and improvements, equipment, water systems, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for Governmental Activities totaled \$435,793 (net of accumulated depreciation) at June 30, 2024. Capital assets for Business-type Activities totaled \$3,372,670 (net of accumulated depreciation) at June 30, 2024. See Note 4 of the Financial Statements for more information about the City's capital assets. There were no additions for the year.

LONG-TERM DEBT

At year end, the City had \$1,646,000 in outstanding revenue bonds. All debt is in the business-type activities and is detailed below:

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

Original issue 1996 – Series A	\$ 1,863,000
Balance June 30, 2023	1,646,000

ECONOMIC FACTORS

Our elected officials consider many factors when setting the City's 2024 fiscal year budget. One of the most important factors affecting the budget is the State of Michigan's economy. The City's Council has tried to spend conservatively. Costs for health care, insurance and utilities continue to rise. The City maintains its facilities but struggles to provide services to its citizens at the same level as past years. Growth in the City has been slow, but the City hopes for new business and industry. Expanding our tax base past single-family homes and increasing water and sewer users is a prime objective.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF PINCONNING
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2024

	Primary Government			
	Governmental Activities	Business -Type Activities	Total	Component Unit
ASSETS:				
Cash	\$ 572,630	\$ 54,130	\$ 626,760	\$ 72,201
Investments	708,348	321,555	1,029,903	-
Delinquent taxes receivable	-	-	-	-
Other receivables	58,022	140,567	198,589	-
Prepaid	-	-	-	-
Inventory	-	4,172	4,172	-
Receivable from state	59,186	-	59,186	-
Due from component unit	-	-	-	-
Capital assets:				
Land	25,000	50,000	75,000	5,000
Buildings and improvements	955,204	3,452,334	4,407,538	140,016
Infrastructure	637,853	-	637,853	-
Equipment	852,279	219,096	1,071,375	3,100
Water and sewer systems	-	4,026,273	4,026,273	-
Accumulated depreciation	(2,034,543)	(4,375,033)	(6,409,576)	(96,687)
Total Assets	1,833,979	3,893,094	5,727,073	123,630
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	89,491	9,946	99,437	-
LIABILITIES:				
Accounts payable	13,475	47,496	60,971	-
Accrued expenses	31,373	12,789	44,162	-
Due to other funds	-	-	-	-
Due to other units	-	-	-	-
Customer deposits	-	-	-	-
Net pension liability	881,200	97,908	979,108	-
Notes and bonds payable				
Amount due within one year	-	114,000	114,000	-
Amount due more than one year	-	1,532,000	1,532,000	-
Total Liabilities	926,048	1,804,193	2,730,241	-
DEFERRED INFLOWS OF RESOURCES				
Related to grants	58,019	-	58,019	-
NET POSITION:				
Investment in capital assets net of related debt	435,793	1,726,670	2,162,463	51,429
Restricted major and local streets	430,979	-	430,979	-
Restricted for debt service	-	-	-	-
Unrestricted	72,631	372,177	444,808	72,201
Total Net Position	\$ 939,403	\$ 2,098,847	\$ 3,038,250	\$ 123,630

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, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
PRIMARY GOVERNMENT:								
GOVERNMENTAL ACTIVITIES:								
Legislative	\$ 12,574	\$ -	\$ -	\$ -	\$ (12,574)	\$ -	\$ (12,574)	\$ -
General government	400,375	6,363	132,967	-	(261,045)	-	(261,045)	-
Public safety	205,108	12,171	-	27,517	(165,420)	-	(165,420)	-
Health and Welfare	74,074	70,248	-	-	(3,826)	-	(3,826)	-
Streets and highways	164,887	-	199,980	4,334	39,427	-	39,427	-
Public works	287,110	-	6,208	-	(280,902)	-	(280,902)	-
Recreation and cultural	5,750	-	7,000	-	1,250	-	1,250	-
Total governmental activities	1,149,878	88,782	346,155	31,851	(683,090)	-	(683,090)	-
BUSINESS-TYPE ACTIVITIES								
Water	327,299	208,458	-	124,133	-	5,292	5,292	-
Sewer	542,943	407,078	-	7,446	-	(128,419)	(128,419)	-
Total Business-Type Activities	870,242	615,536	-	131,579	-	(123,127)	(123,127)	-
Total Primary Government	\$ 2,020,120	\$ 704,318	\$ 346,155	\$ 163,430	(683,090)	(123,127)	(806,217)	-
COMPONENT UNIT:								
Downtown Development Authority	55,887	5,930	-	-				(49,957)
GENERAL PURPOSE REVENUES:								
Property taxes - operating					435,294	-	435,294	73,996
Special assessment - refuse					126,749	-	126,749	-
State shared revenues					165,146	-	165,146	-
Unrestricted investment earnings					42,627	1,633	44,260	1,179
Rental					14,985	-	14,985	-
Other					22,199	-	22,199	-
Total General Purpose Revenues and Transfers					807,000	1,633	808,633	75,175
Change in Net Position					123,910	(121,494)	2,416	25,218
Net Position - Beginning of Year					815,493	2,220,341	3,035,834	98,412
Net Position - End of Year					\$ 939,403	\$ 2,098,847	\$ 3,038,250	\$ 123,630

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

CITY OF PINCONNING
Bay County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2024

	GENERAL	MAJOR STREETS	LOCAL STREETS	TOTAL
ASSETS:				
Cash	\$ 270,296	\$ 161,707	\$ 140,627	\$ 572,630
Investments	607,935	100,413	-	708,348
Delinquent taxes receivable	-	-	-	-
Other receivables	58,286	-	-	58,286
Current taxes receivable	-	-	-	-
Overpaid payroll taxes	-	-	-	-
Due from component unit	-	-	-	-
Due from state	26,933	23,895	8,358	59,186
	<u>26,933</u>	<u>23,895</u>	<u>8,358</u>	<u>59,186</u>
Total Assets	\$ <u>963,450</u>	\$ <u>286,015</u>	\$ <u>148,985</u>	\$ <u>1,398,450</u>
LIABILITIES:				
Accounts payable	\$ 13,465	\$ 10	\$ -	\$ 13,475
Unearned revenue	58,019	-	-	58,019
Accrued expenses	27,622	2,873	878	31,373
Due to local unit	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	99,106	2,883	878	102,867
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted for capital projects	-	-	-	-
Restricted for streets	-	283,132	147,847	430,979
Assigned	-	-	-	-
Unassigned	864,340	-	-	864,340
	<u>864,340</u>	<u>-</u>	<u>-</u>	<u>864,340</u>
Total Fund Balances	864,340	283,132	147,847	1,295,319
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>963,446</u>	\$ <u>286,015</u>	\$ <u>148,725</u>	\$ <u>1,398,186</u>

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, 2024

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,295,319
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
Accumulated depreciation		(2,034,543)
Deferred outflow of resources		89,491
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds		
Net pension liability		(881,200)
Deferred inflow of resources		-
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>939,403</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, 2024

	GENERAL	MAJOR STREETS	LOCAL STREETS	TOTAL
REVENUES:				
Taxes	\$ 632,291	\$ -	\$ -	\$ 632,291
State and federal grants	171,026	149,045	50,522	370,593
State revenue sharing	165,146	-	-	165,146
Contributions from other units	7,000	-	-	7,000
License and permits	3,185	-	-	3,185
Charges for services	15,216	-	-	15,216
Interest and rentals	79,811	413	-	80,224
Other revenue	133	-	-	133
Total Revenues	1,073,808	149,458	50,522	1,273,788
EXPENDITURES:				
Legislative	12,574	-	-	12,574
General government	466,797	-	-	466,797
Public safety	200,608	-	-	200,608
Health and welfare	74,074	-	-	74,074
Public works	307,958	72,625	71,990	452,573
Cultural and recreation	5,175	-	-	5,175
Capital outlay	-	-	-	-
Unallocated	-	-	-	-
Total Expenditures	1,067,186	72,625	71,990	1,211,801
EXCESS OF REVENUES OVER EXPENDITURES	6,622	76,833	(21,468)	61,987
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	-	-	74,000	74,000
Transfer to other funds	-	(74,000)	-	(74,000)
Total Other Financing Sources (Uses)	-	(74,000)	74,000	-
NET CHANGE IN FUND BALANCES	6,622	2,833	52,532	61,987
FUND BALANCE - BEGINNING	857,718	280,299	95,315	1,233,332
FUND BALANCE - ENDING	\$ 864,340	\$ 283,132	\$ 147,847	\$ 1,295,319

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, 2024

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	61,987
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		(42,479)
Capital asset purchases capitalized		-
Change in net pension liability and related deferred in/outflows		
Pension expense		104,402
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		-
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>123,910</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, 2024

	Major Enterprise Funds		Business-Type
	Water	Sewer	Activities
	Fund	Fund	Total
<u>ASSETS:</u>			
Current Assets:			
Common cash account	\$ 74,440	\$ (20,310)	\$ 54,130
Investments	301,461	20,094	321,555
Accounts receivable	43,830	96,737	140,567
Grants receivable	-	-	-
Inventory	-	4,172	4,172
Prepays	-	-	-
Total Current Assets	419,731	100,693	520,424
Noncurrent Assets:			
Capital Assets:			
Land	-	50,000	50,000
Buildings and Improvements	-	3,452,334	3,452,334
Equipment	12,138	206,958	219,096
Water and sewer systems	1,143,648	2,882,625	4,026,273
Accumulated depreciation	(861,031)	(3,514,002)	(4,375,033)
Total Capital Assets	294,755	3,077,915	3,372,670
Total Noncurrent Assets	294,755	3,077,915	3,372,670
Total Assets	714,486	3,178,608	3,893,094
DEFERRED OUTFLOW OF RESOURCES	2,487	7,459	9,946
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts payable	\$ 28,542	\$ 18,954	\$ 47,496
Due to General Fund	-	-	-
Accrued expenses	4,688	8,101	12,789
Revenue bonds payable	-	114,000	114,000
Total Current Liabilities	33,230	141,055	174,285
Noncurrent Liabilities:			
Net pension liability	24,477	73,431	97,908
Revenue bonds payable	-	1,532,000	1,532,000
Total Noncurrent Liabilities	24,477	1,605,431	1,629,908
Total Liabilities	57,707	1,746,486	1,804,193
DEFERRED INFLOWS OF RESOURCES	-	-	-
<u>NET POSITION:</u>			
Invested in capital assets net of related debt	294,755	1,431,915	1,726,670
Restricted for debt retirement	-	-	-
Unrestricted	364,511	7,666	372,177
Total Net Position	\$ 659,266	\$ 1,439,581	\$ 2,098,847
Reconciliation of Government-Wide Statement of Net Position:			
Net Position of Business-Type Activities			\$ 2,098,847

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, 2024

	Major Enterprise Funds		Business-Type
	Water	Sewer	Activities
	Fund	Fund	Total
OPERATING REVENUES:			
Charges for Services -			
Water charges	\$ 204,980	\$ -	\$ 204,980
Sewer charges	-	403,677	403,677
Septic income	-	-	-
Hydrant rental	-	-	-
Late payment fees	3,283	3,401	6,684
Miscellaneous	195	-	195
Total Operating Revenues	208,458	407,078	615,536
OPERATING EXPENSES:			
Salaries	44,533	88,792	133,325
Fringes and taxes	37,160	23,380	60,540
Water - cost of goods sold	138,660	-	138,660
Contractual services	4,477	40,965	45,442
Supplies	3,544	31,558	35,102
Repairs and maintenance	58,668	41,729	100,397
Utilities	404	94,266	94,670
Insurance	-	-	-
Other	5,906	3,952	9,858
Depreciation	19,447	160,498	179,945
Total Operating Expenses	312,799	485,140	797,939
Operating Income	(104,341)	(78,062)	(182,403)
NONOPERATING REVENUES(EXPENSES)			
Interest income	1,461	172	1,633
Local grant	50,000	7,446	57,446
State grants	74,133	-	74,133
Loss on sale of capital asset	-	-	-
Interest expense	(14,500)	(57,803)	(72,303)
Total Nonoperating Revenues (Expenses)	111,094	(50,185)	60,909
Income before contributions and transfers	6,753	(128,247)	(121,494)
Transfers in	-	21,000	21,000
Transfers out	(21,000)	-	(21,000)
Total transfers in (out)	(21,000)	21,000	-
Change in Net Position	(14,247)	(107,247)	(121,494)
Net Position Beginning of Year	673,513	1,546,828	2,220,341
Net Position End of Year	\$ 659,266	\$ 1,439,581	\$ 2,098,847

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, 2024

	Major Enterprise Funds		Business-Type
	Water	Sewer	Activities
	Fund	Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 221,909	\$ 419,435	\$ 641,344
Other operating cash receipts	-	-	-
Cash payments to suppliers for goods and services	(221,507)	(231,191)	(272,457)
Cash payments to employees for services	(41,266)	(83,910)	(305,417)
Net cash provided (used) by operating activities	(40,864)	104,334	63,470
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	-	21,000	21,000
Transfers to other funds	(21,000)	-	(21,000)
Net cash provided (used) by noncapital financing activities	(21,000)	21,000.00	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	-
Capital grants	124,133	-	124,133
Proceeds from sale of capital assets	-	-	-
Interest paid on bonds	(14,500)	(57,803)	(72,303)
Principal payments on bonds	-	(105,000)	(105,000)
Change in net pension liability	(2,902)	(8,704)	(11,606)
Net cash provided (used) by capital and related financing activities	106,731	(171,507)	(53,170)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	1,461	172	1,633
Net increase (decrease) in cash	46,328	(46,001)	11,933
Cash and restricted cash beginning of year	329,573	45,785	375,358
Cash and restricted cash end of year	\$ 375,901	\$ (216)	\$ 387,291
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (loss) from operations	\$ (104,341)	\$ (78,062)	\$ (182,403)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	19,447	160,498	179,945
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	13,454	12,357	25,811
(Increase) decrease in deferred in/outflows	(1,020)	4,385	3,365
Increase (decrease) in accounts payable	27,309	11,104	38,413
Increase (decrease) in accrued expenses	3,267	(1,563)	1,704
	43,010	186,781	249,238
Net Cash Provided (Used) in Operating Activities	\$ (41,884)	\$ 108,719	\$ 66,835

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, 2024

		TAX COLLECTION AGENCY FUND
		<hr/>
<u>ASSETS</u>		
Cash in bank	\$	<u>100</u>
		<hr/>
<u>LIABILITIES</u>		
Due to Downtown Development Authority	\$	-
Due to General Fund		100
Due to Others		<hr/> -
Total Liabilities	\$	<u>100</u>
		<hr/>

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

CITY OF PINCONNING
Bay County, Michigan

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2024

	TAX COLLECTION AGENCY FUND
	<hr/>
ADDITIONS	
Property tax collections	\$ <u>589,973</u>
Deductions	
Payments of property taxes to other governments	<u>589,973</u>
NET POSITION	
Restricted for Individuals, organizations, and other governments	\$ <u>-</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, 2024

ASSETS:

Current Assets:

Cash	\$	72,201
Due from City		-
Other receivables		-
Total Current Assets		<u>72,201</u>

Noncurrent Assets:

Land		5,000
Construction in progress		-
Equipment		3,100
Buildings and improvements		140,016
Accumulated depreciation		<u>(96,687)</u>
Total Noncurrent Assets		<u>51,429</u>

Total Assets 123,630

LIABILITIES:

Current Liabilities:

Accounts payable		-
Due to Other Local Units		-
Unearned grant revenue		<u>-</u>
Total Current Liabilities		-

NET POSITION:

Invested in capital assets net of related debt		51,429
Unrestricted		<u>72,201</u>
Total Net Position	\$	<u>123,630</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, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Downtown Development Authority
DOWNTOWN DEVELOPMENT AUTHORITY					
Economic development	\$ 55,887	\$ 5,930	\$ -	\$ -	\$ (49,957)
Interest on long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	\$ <u>55,887</u>	\$ <u>5,930</u>	\$ <u>-</u>	\$ <u>-</u>	\$ (49,957)
GENERAL REVENUES:					
Property taxes					73,996
Transfer from General Fund					-
Net Loss on sale of assets					-
Unrestricted investment earnings					<u>1,180</u>
Total General Purpose Revenues and Transfers					<u>75,176</u>
Change in Net Position					25,219
Net Position - Beginning of Year					<u>98,412</u>
Net Position - End of Year					\$ <u>123,631</u>

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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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 \$58,662 for operating purposes. A separate audit is available for the fire authority.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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

C. BASIS OF PRESENTATION:

The Government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of City. The effect of the interfund activity, within the Governmental and Business-type Activities columns, has been removed from these statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-type Activities, which rely to a significant extent on fees and charges for support.

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

D. FUND FINANCIAL STATEMENTS:

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

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

Major Government Funds

General Fund -

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

Major Street Fund -

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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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

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

Local Street Fund -

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

Proprietary Funds

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

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

Water Fund -

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

Sewer Fund

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

Fiduciary Funds

Tax Collection Fund -

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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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

E. MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

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

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

F. FIXED ASSETS/DEPRECIATION:

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

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

G. FUND EQUITY:

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

H. PROPERTY TAXES:

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

The 2023 taxable valuation of City properties totaled \$25,884,274. The taxes levied and the resulting revenue by fund and component unit was as follows:

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

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

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES:

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

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

J: PENSIONS:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

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

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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 3. LONG-TERM DEBT:

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Ranges</u>	<u>Beginning Balances</u>	<u>Additions (Deductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
BUSINESS – TYPE ACTIVITIES						
Sewer disposal Revenue Bond 2022	4.15%	40,000- 176,000/yr	1,751,000	(105,000)	1,646,000	114,000

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

Year Ended June 30,	Principal	Interest
2025	114,000	68,309
2026	119,000	63,578
2027	124,000	58,640
2028	128,000	53,494
2029	136,000	48,182
2030	143,000	42,538
2031	147,000	36,603
2032	157,000	30,503
2033	156,000	23,987
2034	166,000	17,513
2035	176,000	10,624
2036	40,000	3,320
2037	<u>40,000</u>	<u>1,660</u>
Total	\$ 1,646,000	458,949

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions/ Completions	Retirements/ Adjustments	Balance June 30, 2024
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated				
Buildings and improvements	955,204	-	-	955,204
Furniture & equipment	852,279	-	-	852,279
Infrastructure	637,853	-	-	637,853
Subtotal	2,445,336	-	-	2,445,336
Less accumulated depreciation				
Buildings and improvements	922,692	1,439	-	924,131
Furniture & equipment	761,518	20,768	-	782,286
Infrastructure	307,854	20,272	-	328,126
Subtotal	1,992,064	42,479	-	2,034,543
Net capital assets being depreciated	453,272	(42,479)	-	410,793
Net capital assets	\$ 478,272	\$ (42,479)	\$ -	\$ 435,793
Business – type activities:				
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	-	-	-	-
Capital assets being depreciated				
Buildings and improvements	3,452,334	-	-	3,452,334
Water and sewer distribution systems	4,026,272	-	-	4,026,272
Furniture and equipment	219,096	-	-	219,096
Subtotal	7,697,702	-	-	7,697,702
Less accumulated depreciation				
Sewer distribution system	3,353,504	160,497	-	3,514,001
Water system	841,584	19,447	-	861,031
Subtotal	4,195,088	179,944	-	4,375,032
Net capital assets	\$ 3,552,614	\$ (179,944)	\$ -	\$ 3,372,670

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 4. CAPITAL ASSETS (continued):

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

Component Unit	<u>Balance June 30, 2023</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2024</u>
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated				
Buildings and improvements	140,016	-	-	140,016
Furniture	3,100			3,100
Less accumulated depreciation	<u>94,570</u>	<u>2,118</u>	<u>-</u>	<u>96,688</u>
Net capital assets being depreciated	<u>50,664</u>	<u>2,118</u>	<u>-</u>	<u>46,428</u>
Total Net Capital Assets	\$ <u>55,664</u>	\$ <u>(2,118)</u>	\$ <u>-</u>	\$ <u>51,428</u>

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

Governmental Activities:	
Legislative	\$ -
General government	1,439
Public safety	4,500
Streets	20,272
Public works	15,693
Recreation and culture	<u>575</u>
Total Depreciation Expense	\$ <u>42,479</u>
Business-type Activities:	
Water	19,447
Sewer	<u>160,498</u>
Total Water and Sewer	\$ <u>179,945</u>
Component Unit:	
DDA	\$ <u>2,118</u>

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

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

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>	<u>Purpose</u>
Local Street	\$74,000	Major Street	\$74,000	Allowable State Transfer Amount
Sewer	\$21,000	Water	\$21,000	Cover Water funds Portion of Bond Payment

NOTE 6. DEPOSITS AND INVESTMENTS:

At year end, the government's deposits and investments were reported in the basic financial statements in the following categories:

<u>Governmental Activities</u>	<u>Business Type</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
\$ 1,280,978	\$ 375,685	\$ 1,656,663	\$ 72,201

The breakdown of deposits for the City is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Bank deposits	\$ 626,760	\$ 72,201	\$ 698,961
Insured deposits	(626,760)	(72,201)	(698,961)
Total Uninsured	\$ -	\$ -	\$ -

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

Credit Risk – State statutes and the City's investment policy authorize the City to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the local unit is allowed to invest in bonds, securities and other obligations of the United States, or instrumentality of the United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States Banks; commercial paper rated within the three highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, 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.

Concentration of credit risk – The City minimizes credit risk by investing only in the safer types of securities, pre-qualifying financial institutions, brokers/dealers, intermediaries, and advisors with whom the City will do business; and diversifying the investment portfolio so that the impact on the investment

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 6. DEPOSITS AND INVESTMENTS: (Continued)

portfolio resulting from losses on individual securities will be minimized. Not more than 50% of any fund may be invested in commercial paper.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to them. As of June 30, 2024 \$0.00 of the City's bank balance of \$626,760 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Fair Value measurements – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs

The City's fair value measurements as of June 30, 2024 consisted of U.S. Treasury note investments of \$1,029,903, valued using the quoted market prices (Level 1 inputs).

NOTE 7. DEFINED BENEFIT PENSION PLAN:

Plan Description

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

Benefits Provided

Benefits provided include plans with multipliers ranging from 2.00% to 2.25%. Vesting period is 10 years. Normal retirement age is 60 with early retirement at 55 with 15 years of service for unreduced benefits and early retirement at 50 with 25 years of service for reduced benefits. Final average compensation is calculated based on 5 years. Member contributions range from 5% to 8%.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

Employees Covered by Benefit Terms

At the December 31, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	2
Active Employees	<u>3</u>
Total employees covered by MERS	<u>19</u>

Contributions

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

Net Pension Liability

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2024, fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2023, measurement date. The December 31, 2023, measurement date total pension liability was determined by an actuarial valuation performed as of that date.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

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

	Increase (Decrease)		
<u>Changes in Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at 12/31/22	\$ 2,221,062	\$ 1,085,101	\$ 1,135,961
Changes for the Year:			
Service cost	13,687		13,687
Interest on Total Pension Liability	149,873		149,873
Changes in benefits			
Difference between expected and actual experience	6,217		6,217
Changes in assumptions	13,090		13,090
Employer contributions		215,306	(215,306)
Employee contributions		8,169	(8,169)
Net investment income		124,174	(124,174)
Benefit payments	(173,718)	(173,718)	-
Employee refunds		-	-
Administrative expense		(2,579)	2,579
Other changes	5,352	-	5,352
Net changes	14,502	171,352	(156,850)
Balances as of 12/31/23	\$ 2,235,564	\$ 1,256,453	\$ 979,111

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

Actuarial Assumptions

The total pension liability in the December 31, 2023 annual actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.0 percent, an investment rate of return gross of investment expenses of 7.18 percent, and the Pub-2010 mortality tables. The economic assumptions (i.e., investment rate of return and inflation assumption) were updated for the end of the measurement period. All assumptions used based on experience study conducted for the period from 2014-2018.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.18 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and employee rate.

Projected Cash Flows

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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2023, the measurement date, for each major asset class are summarized in the following table:

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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

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

	<u>12/31/2023</u>
Total Pension Liability	
Service cost	\$ 13,687
Interest on the total pension liability	149,873
Difference between expected and actual experience	6,217
Changes in assumptions	13,090
Other changes	5,353
Benefit payments and refunds	<u>(173,718)</u>
Net change in total pension liability	14,502
Total pension liability - beginning	<u>2,221,062</u>
Total pension liability - ending (a)	\$ <u>2,235,564</u>
 Plan Fiduciary Net Position	
Employer contributions	\$ 215,306
Employee contributions	8,169
Pension plan net investment income	124,174
Benefit payments and refunds	(173,718)
Pension plan administrative expense	<u>(2,579)</u>
Net change in plan fiduciary net position	171,352
Plan fiduciary net position - beginning	<u>1,085,101</u>
Plan fiduciary net position - ending (b)	<u>1,256,453</u>
Net pension liability (a-b)	\$ <u>979,111</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.18, as well as what the City's net pension liability (asset) would be using a discount rate that is 1 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate.

	1% Decrease <u>6.18%</u>	Current Discount Rate <u>7.18%</u>	1% Increase <u>8.18%</u>
Change in Net Pension Liability	\$ 202,343	\$ -	\$ (175,213)
Calculated Net Pension Liability	\$ 1,181,454	\$ 979,111	\$ 803,898

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

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

For the year ended June 30, 2023, the City recognized pension expense of \$99,074. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

		Deferred Inflows of Resources
Differences in Experience	\$	-
Differences in Assumptions		-
Excess (Deficit) Investment Returns		50,649
Contributions Subsequent to the Measurement Date*		48,786
Total	\$	<u>99,435</u>

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

<u>Year Ended</u>	
2024	\$(10,771)
2025	(33,212)
2026	131,883
2027	(37,252)
Total	\$ 50,649

Assumption Changes

As of December 31, 2023 measurement date, the investment rate of return was 7.18%, from 7.25% as of the December 31, 2022 measurement date.

Pension Plan Fiduciary Net Position

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

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 8. RISK MANAGEMENT:

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

NOTE 9. MANAGEMENT REVIEW:

Management has evaluated subsequent events and transactions for potential recognition and disclosure through December 11, 2024, the date the financial statements were available to be issued.

NOTE 10. FUND BALANCE CLASSIFICATIONS:

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

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

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

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

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

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

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.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2024

NOTE 10. FUND BALANCE CLASSIFICATIONS (continued):

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

NOTE 11. TAX ABATEMENTS

The City uses the Industrial Facilities Tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50% of the property tax bill for the new property (or it can freeze taxable values of the year previous to the rehabilitation for rehabilitation properties) for up to 12 years. As of June 30, 2024, the City's property tax revenue was reduced by 1,233 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, 2024

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 434,500	\$ 389,000	\$ 358,366	\$ (30,634)
Special assessment solid waste	124,000	124,000	126,749	2,749
Special assessment ambulance and police	155,000	157,000	147,176	(9,824)
State revenue sharing	170,000	170,000	165,146	(4,854)
Other grants	26,200	176,710	171,026	(5,684)
Contributions from other units	-	7,000	7,000	-
Charges for services	37,500	15,000	15,216	216
License and permits	2,650	7,000	3,185	(3,815)
Interest and rental	93,400	104,600	79,811	(24,789)
Other revenue	13,200	22,600	133	(22,467)
Total Revenues	1,056,450	1,172,910	1,073,808.00	(99,102.00)
EXPENDITURES:				
Legislative	14,900	13,210	12,574	636
General Government -				
City Manager	83,000	90,320	90,595	(275)
Elections	4,150	11,600	11,285	315
Assessor	29,600	16,900	16,813	87
Board of Review	600	625	593	32
Treasurer	60,350	62,705	62,354	351
Clerk	66,950	74,600	73,337	1,263
City Hall	181,550	228,410	211,820	16,590
Public Safety -				
Fire	139,500	110,300	51,638	58,662
Police	141,150	150,010	148,970	1,040
Health and Welfare-				
Ambulance	62,500	75,000	74,074	926
Public Works -				
Sanitation	100,000	127,400	127,681	(281)
Street lighting	15,000	24,000	24,107	(107)
Planning			-	-
Department of public works	127,900	166,700	156,170	10,530
Cultural and Recreation -				
Parks	2,900	6,000	5,175	825
Unallocated			-	-
Total Expenditures	1,030,050	1,157,780	1,067,186	90,594
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	-	-	-	-
Transfer to other funds	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	26,400	15,130	6,622.00	(8,508.00)
FUND BALANCE - Beginning of Year	857,718	857,718	857,718	-
FUND BALANCE - End of Year	\$ 884,118	\$ 872,848	\$ 864,340	\$ (8,508)

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, 2024

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	160,000	150,000	149,045	(955)
Local contribution	-	-	-	-
Interest and rentals	-	-	413	413
Total Revenues	160,000	150,000	149,458	(542)
EXPENDITURES:				
Public Works-				
Preservation	38,950	69,550	67,378	2,172
Signals and signs	3,000	1,800	1,715	85
Winter maintenance	2,000	1,700	1,632	68
Non-Motorized	-	-	-	-
Administration	4,000	2,150	1,900	250
Total Expenditures	47,950	75,200	72,625	2,575
EXCESS REVENUES OVER EXPENDITURES	112,050	74,800	76,833	2,033
OTHER FINANCING SOURCES (USES):				
Transfer in Local Street Fund	-	-	-	-
Transfer out Local Street Fund	(50,000)	(74,000)	(74,000)	-
Total Other Sources (Uses)	(50,000)	(74,000)	(74,000)	-
Excess (deficiency) of revenues over expenditures and other uses	62,050	800	2,833	2,033
FUND BALANCE - Beginning of Year	280,299	280,299	280,299	-
FUND BALANCE - End of Year	\$ 342,349	\$ 281,099	\$ 283,132	\$ 2,033

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, 2024

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
State grants	55,000	55,000	50,522	(4,478)
Interest and rentals	-	-	-	-
Total Revenues	55,000	55,000	50,522	(4,478)
EXPENDITURES:				
Public Works-				
Preservation	42,200	86,755	66,528	20,227
Signals and signs	500	700	605	95
Winter maintenance	3,000	1,700	1,632	68
Administration	3,000	1,500	1,289	211
Nonmotorized	3,000	3,000	1,936	1,064
Total Expenditures	51,700	93,655	71,990	21,665
EXCESS REVENUES OVER EXPENDITURES	3,300	(38,655)	(21,468)	17,187
OTHER FINANCING SOURCES (USES):				
Transfer to Major Street	-	-	-	-
Transfer from General	-	-	-	-
Transfer from Major Street	50,000	74,000	74,000	-
Total Other Sources (Uses)	50,000	74,000	74,000	-
Excess (deficiency) of revenues over expenditures and other uses	53,300	35,345	52,532	17,187
FUND BALANCE - Beginning of Year	95,315	95,315	95,315	-
FUND BALANCE - End of Year	\$ 148,615	\$ 130,660	\$ 147,847	\$ 17,187

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, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 13,687	\$ 12,892	\$ 11,342	\$ 10,231	\$ 18,124	\$ 16,596	\$ 16,734	\$ 20,955	\$ 31,092	\$ 28,324
Interest on the total pension liability	149,873	155,320	148,769	155,677	160,912	170,595	178,759	172,687	167,686	165,520
Difference between expected and actual experience	6,217	(79,800)	29,651	(39,935)	(58,841)	(5,822)	(104,887)	64,516	13,798	-
Changes in assumptions	13,090	-	66,678	59,290	67,260	-	-	-	95,300	-
Other changes	5,353	5,547	12,751	5,295	8,471	(1)	(1)	-	(230)	(1)
Benefits payments and refunds	(173,718)	(170,614)	(182,140)	(185,663)	(196,722)	(197,884)	(187,290)	(172,994)	(180,111)	(157,826)
Net change in total pension liability	14,502	(76,655)	87,051	4,895	(796)	(16,516)	(96,685)	85,164	127,535	36,017
Total pension liability - beginning	2,221,062	2,297,717	2,210,666	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>\$ 2,235,564</u>	<u>\$ 2,221,062</u>	<u>\$ 2,297,717</u>	<u>\$ 2,210,666</u>	<u>\$ 2,205,771</u>	<u>\$ 2,206,567</u>	<u>\$ 2,223,083</u>	<u>\$ 2,319,768</u>	<u>\$ 2,234,604</u>	<u>\$ 2,107,069</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 215,306	\$ 96,726	\$ 88,989	\$ 71,403	\$ 72,410	\$ 67,354	\$ 51,543	\$ 68,101	\$ 52,445	\$ 39,475
Employee contributions	8,169	7,744	7,364	7,392	12,411	9,124	10,599	18,539	16,444	15,121
Pension plan net investment income	124,174	(132,197)	164,583	136,688	148,932	(47,277)	161,671	136,855	(18,997)	85,917
Benefit payment and refunds	(173,718)	(170,614)	(182,140)	(185,663)	(196,722)	(197,884)	(187,290)	(172,994)	(180,111)	(157,826)
Pension plan administrative expense	(2,579)	(2,310)	(1,889)	(2,529)	(2,560)	(2,452)	(2,574)	(2,707)	(2,897)	(3,133)
Net change in plan fiduciary net position	171,352	(200,651)	76,907	27,291	34,471	(171,135)	33,949	47,794	(133,116)	(20,446)
Plan fiduciary net position - beginning	1,085,101	1,285,777	1,208,870	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)	1,256,453	1,085,126	1,285,777	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>\$ 979,111</u>	<u>\$ 1,135,936</u>	<u>\$ 1,011,940</u>	<u>\$ 1,001,796</u>	<u>\$ 1,024,192</u>	<u>\$ 1,059,459</u>	<u>\$ 904,840</u>	<u>\$ 1,035,474</u>	<u>\$ 998,104</u>	<u>\$ 737,453</u>
Plan fiduciary net position as a percentage of total pension liability	56.20%	48.86%	55.96%	54.68%	53.57%	51.99%	59.30%	55.36%	55.33%	65.00%
Covered employee payroll	\$ 142,819	\$ 134,594	\$ 126,526	\$ 112,453	\$ 188,654	\$ 167,034	\$ 218,444	\$ 231,284	\$ 273,808	\$ 260,761
Net pension liability as a percentage of covered employee payroll	685.56%	843.97%	799.79%	890.86%	542.89%	634.28%	414.22%	447.71%	364.53%	282.81%

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

CITY OF PINCONNING
Bay County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2024

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 69,400	\$ 69,400	\$ 73,996	\$ 4,596
Sale of assets	-	-	-	-
Other income	5,300	5,300	5,930	630
Interest	1,180	1,180	1,179	(1)
Total Revenues	75,880	75,880	81,105	5,225
EXPENDITURES:				
Economic Development:				
Building maintenance	36,835	36,835	34,328	2,507
Administrative fees	2,500	2,500	2,500	-
Project activities	16,975	16,975	16,716	259
Debt - principal	-	-	-	-
Debt- interest	-	-	-	-
Capital outlay	-	-	-	-
Other	225	225	225	-
Total Expenditures	56,535	56,535	53,769	259
EXCESS REVENUES OVER EXPENDITURES	19,345	19,345	27,336	7,991
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	-	-
Excess (deficiency) of revenues over expenditures and other uses	19,345	19,345	27,336	7,991
FUND BALANCE - Beginning of Year	47,250	34,192	44,865	
FUND BALANCE - End of Year	\$ 66,595	\$ 53,537	\$ 72,201	

CITY OF PINCONNING
Bay County, Michigan

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
June 30, 2024

MERS Plan Year End December 31	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial Determined Contributions	\$ 215,306	\$ 96,726	\$ 88,989	\$ 71,402	\$ 72,410	\$ 67,354	\$ 51,543	\$ 68,101	\$ 52,445	\$ 39,476
Determined contribution	215,306	96,726	88,989	71,402	72,410	67,354	51,543	68,101	52,445	39,476
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 142,819	\$ 126,526	\$ 112,453	\$ 188,654	\$ 167,034	\$ 218,444	\$ 231,284	\$ 273,808	\$ 260,761	\$ 260,761
Contributions as a percentage of covered employee payroll	151%	76%	79%	38%	43%	31%	22%	25%	20%	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

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, 2024

NET CHANGE IN FUND BALANCE	\$ 27,336
Amounts reported for Governmental Activities in the Statement of Activities are different because -	
Governmental Funds report capital outlays as expenditures while in the Statement of Activities, these costs are allocated over their estimated lives as depreciation expense.	
Depreciation expense	(2,118)
Capital asset purchases capitalized	-
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	-
CHANGE IN NET POSITION - COMPONENT UNIT ACTIVITIES	\$ <u>25,218</u>

CITY OF PINCONNING
Bay County, Michigan

COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
June 30, 2024

ASSETS:

Current Assets:

Cash	\$	72,201
Due from general fund		-
Taxes receivable		-

Total Current Assets	\$	<u>72,201</u>
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LIABILITIES:

Current Liabilities:

Unearned grant revenue	\$	-
Due to Other Local Units		-

Total Current Liabilities		-
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Fund Balance

Unrestricted		<u>72,201</u>
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Total Liabilities and Fund Balance	\$	<u>72,201</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, 2024

FUND BALANCES ON BALANCE SHEET	\$	72,201
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		148,116
Accumulated depreciation		(96,687)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds		
		-
TOTAL NET POSITION - COMPONENT UNIT	\$	<u>123,630</u>

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2024

REVENUES:

Taxes -

Current tax levy	\$ 340,745
Special assessment solid waste	126,749
Special assessment police	76,928
Ambulance	70,248
Mobile home	214
Penalties and interest	3,046
Collection fee	<u>14,361</u>

Total taxes 632,291

Federal, State and Local Grants -

Federal	-
State revenue sharing	165,146
Metro act	6,208
Stabilization	132,967
Local grant	<u>31,851</u>
	336,172

Contributions from other units - 7,000

Licenses and permits -

Zoning and others	<u>3,185</u>
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Total licenses and permits 3,185

Charges for Services -

City services	545
Administration fees	2,500
Police services	<u>12,171</u>

Total charges for services 15,216

Fines and ordinance violations 133

Interest and Rentals -

Other income	22,199
Rents	14,985
Private donations	-
Interest	<u>42,627</u>

Total interest and rentals 79,811

Total Revenues 1,073,808

EXPENDITURES 1,067,186

OTHER FINANCING SOURCES (USES)

Transfer to Sewer -

Total other uses -

NET CHANGE IN FUND BALANCE 6,622

FUND BALANCE - July 1, 2023 857,718

FUND BALANCE - June 30, 2024 \$ 864,340

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES
Year Ended June 30, 2024

EXPENDITURES:

LEGISLATIVE:

Mayor and City Council -

Salaries	\$ 10,510
Fringes and taxes	701
Membership dues	-
Audit	-
Supplies and other	<u>1,363</u>

Total Legislative 12,574

GENERAL GOVERNMENT:

City Manager -

Wages	58,954
Fringes and taxes	31,641
Telephone	-
Mileage and other	<u>-</u>

Total Manager 90,595

Elections -

Wages	1,150
Supplies	10,135
Printing and publication	<u>-</u>

Total Elections 11,285

Assessor -

Contracted service	10,760
County tax roll service	6,053
Supplies and other costs	<u>-</u>

Total Assessor 16,813

Board of Review -

Fees	293
Other costs	<u>300</u>

Total Board of Review 593

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2024

EXPENDITURES (CONT.):
GENERAL GOVERNMENT (CONT.):

Treasurer -	
Salaries	\$ 49,734
Fringes and taxes	11,972
Mileage	424
Meetings	100
Supplies and other	124
	<hr/>
Total Treasurer	62,354

Clerk -	
Salaries	39,520
Fringes and taxes	30,309
Mileage	635
Meetings	2,763
Supplies and other	110
	<hr/>
Total Clerk	73,337

City Hall and Grounds -	
Contract services	89,640
Retirement	-
Advertising	200
Supplies	3,044
Office	-
Legal	5,107
Insurance	60,793
Utilities	8,688
Repairs and maintenance	11,421
Telephone	3,256
Other Cost	29,671
Capital outlay	-
	<hr/>
Total City Hall	211,820
	<hr/>
Total General Government	466,797

PUBLIC SAFETY:

Fire Department -	
Contracted fire protection	37,567
Department Runs	14,071
Capital outlay	-
	<hr/>
Total Fire Department	51,638

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2024

EXPENDITURES (CONT.):
PUBLIC SAFETY (CONT.)

Police -	
Salaries	\$ 88,800
Fringes and taxes	37,047
Office	72
Gas and oil	3,045
Legal	-
Supplies	2,687
Uniforms	544
Contracted services	1,345
Telephone	546
Training	819
Insurance	-
Capital outlay	-
Vehicle maintenance	13,264
Other costs	801
	<hr/>
Total Police	148,970
	<hr/>
Total Public Safety	200,608

HEALTH AND WELFARE

Ambulance -	
Contracted service	74,074

PUBLIC WORKS:

Sanitation -	
Refuse contract	127,681
	<hr/>
Street Lighting	24,107

Department of Public Works -

Salaries	81,473
Fringes and taxes	40,711
Supplies	3,414
Uniforms	2,767
Gas and oil	6,242
Telephone	879
Insurance	-
Utilities	5,182
Maintenance and repairs	15,502
Capital outlay	-
	<hr/>
Total DPW	156,170

Planning and Zoning -	-
	<hr/>
Total Public Works	307,958

RECREATION AND CULTURAL:

Parks and Recreation -	
Utilities	3,150
Repairs and maintenance	1,136
Insurance	-
Supplies and other	889
Capital outlay	-
	<hr/>
Total Recreation and Cultural	5,175

UNALLOCATED

Health insurance and other fringes	-
Retirement	-
Total Unallocated	-
	<hr/>
Total Expenditures	\$ 1,067,186

CITY OF PINCONNING
Bay County, Michigan

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE REFUNDING BONDS 2022
 SCHEDULE OF INDEBTEDNESS
June 30, 2024

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

<u>Date</u>	<u>June 1</u>		<u>December 1</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Only</u>	
2025	\$ 114,000.00	\$ 34,154.50	\$ 31,789.00	\$	179,943.50
2026	119,000.00	31,789.00	29,319.75		180,108.75
2027	124,000.00	29,319.75	26,746.75		180,066.50
2028	128,000.00	26,746.75	24,090.75		178,837.50
2029	136,000.00	24,090.75	21,268.75		181,359.50
2030	143,000.00	21,268.75	18,301.50		182,570.25
2031	147,000.00	18,301.50	15,251.25		180,552.75
2032	157,000.00	15,251.25	11,993.50		184,244.75
2033	156,000.00	11,993.50	8,756.50		176,750.00
2034	166,000.00	8,756.50	5,312.00		180,068.50
2035	176,000.00	5,312.00	1,660.00		182,972.00
2036	40,000.00	1,660.00	830.00		42,490.00
2037	40,000.00	830.00	-		40,830.00
	<u>\$ 1,646,000.00</u>	<u>\$ 229,474.25</u>	<u>\$ 195,319.75</u>	<u>\$</u>	<u>2,070,794.00</u>



CERTIFIED PUBLIC ACCOUNTANTS

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Partners:

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

Members:

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

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

To the City Council
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, 2024, and the related notes to the financial statements, which collectively comprise the City of Pinconning's basic financial statements, and have issued our report thereon dated December 11, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pinconning's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

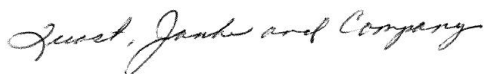
City of Pinconning, State of Michigan's Response to Findings

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

Purpose of this Report

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

QUAST, JANKE AND COMPANY



Certified Public Accountants, P.C.
Bay City, MI 48708
December 11, 2024

CITY OF PINCONNING
Bay County, Michigan

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2024

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

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

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

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

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

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