

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

**FINANCIAL REPORT**  
**WITH SUPPLEMENTAL INFORMATION**  
**FISCAL YEAR END JUNE 30, 2025**

CITY OFFICIALS - As of June, 30 2025

<b>Mayor</b>	<b>Sheri Boettcher</b>
<b>City Manager</b>	<b>Rebecca Lakin</b>
<b>Mayor Pro-Term</b>	<b>Stephanie Chant</b>
<b>Council Member</b>	<b>Robin Wiess</b>
<b>Council Member</b>	<b>Becky Lesniak</b>
<b>Council Member</b>	<b>Patrick Johnson</b>
<b>Council Member</b>	<b>Kristin Boetefuer</b>
<b>Council Member</b>	<b>Michelle Bleshenski</b>
<b>City Treasurer</b>	<b>Amy Bromberg</b>

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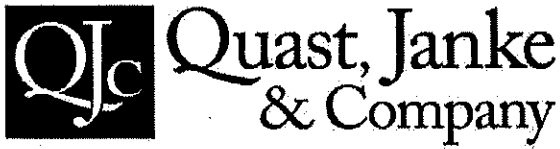
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*Members:*  
*American Institute of C.P.A.'s*  
*Michigan Association of C.P.A.'s*

## INDEPENDENT AUDITORS' REPORT

To Management and the City Council  
City of Pinconning  
Bay County, Michigan

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pinconning, State of Michigan as of and for the year ended June 30, 2025, 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 units, each major fund, and the aggregate remaining fund information of City of Pinconning, as of June 30, 2025, 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 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 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 and budgetary comparison information, and the Municipal Employees Retirement System Schedules on pages 5-11 and 51-52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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***

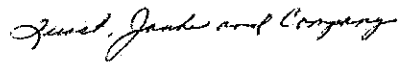
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pinconning's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and the Downtown Development Authority Schedules, are presented 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 relates 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 combining and individual nonmajor fund financial statements and the Downtown Development Authority Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2025, on our consideration of the City of Pinconning's internal control over financial reporting and on our test 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.

Sincerely,

Quast, Janke and Company



Certified Public Accountants, P.C.  
December 8, 2025

**CITY OF PINCONNING**  
Bay County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2025

This section of City of Pinconning annual Financial Report presents the Management Discussion and Analysis (MD&A) of the City's financial activities during the fiscal year ended June 30, 2025. It is intended to be read as part of the City's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded liabilities at June 30, 2025, by \$3,192,948. Of this amount, \$655,043 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$154,696 during the year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,273,202 a decrease of \$22,123 from the prior year.
- At the end of the current fiscal year, the General Fund's unassigned fund balance was \$822,599. Total fund balance for the General Fund was \$822,599.

**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*** 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. Fund Financial Statements report the City's operations in more detail than the government-wide statements by providing information about the major 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 management's discussion and analysis, provides information about the required budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of employer's contributions to Municipal Employees Retirement Systems of Michigan, and Other Post-Employment Benefits Schedules.

***Other Supplementary Information*** provides detailed information about the Nonmajor Governmental Funds, and the Indebtedness Schedule.

**CITY OF PINCONNING**  
Bay County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2025

**REPORTING THE CITY AS A WHOLE**

The Statement of Net Position and the Statement of Activities are Government-Wide Statements that 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 the City's financial health, or financial position. Over time, increases or decreases in the City's net position 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. The following paragraphs are intended to assist in making this overall assessment.

**REPORTING THE CITY'S MAJOR ACTIVITIES**

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, community and economic development, general government, recreation and culture, 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 Fund. These activities are 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, proprietary and fiduciary.

**CITY OF PINCONNING**  
Bay County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2025

**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 Fund statements. The Proprietary Funds which include the Water and Sewer Funds 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. The financial statements required for Proprietary Funds include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position and a Statement of Cash Flows.

**Fiduciary Funds**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position, and is reported using accounting principles similar to Proprietary Funds. The City's Fiduciary Funds are presented in the Fiduciary Fund Statement of Assets and Liabilities. 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.

**CITY OF PINCONNING**  
Bay County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2025

**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 net position at June 30, 2025 and 2024.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>ASSETS</b>						
Current Assets	\$ 1,372,074	\$ 1,398,186	\$ 762,433	\$ 520,424	\$ 2,134,507	\$ 1,918,610
Capital Assets	414,828	435,793	3,204,474	3,372,670	3,619,302	3,808,463
Deferred outflows of resources	79,881	89,491	8,878	9,946	88,759	99,437
Total Assets and deferred outflows of resources	1,866,783	1,923,470	3,975,785	3,903,040	5,842,568	5,826,510
<b>LIABILITIES</b>						
Current Liabilities	98,872	44,848	248,604	165,285	347,476	210,133
Long-term liabilities	779,782	881,200	1,522,362	1,638,908	2,302,144	2,520,108
Deferred outflows of resources	-	58,019	-	-	-	58,019
Total Liabilities and deferred inflows of resources	878,654	984,067	1,770,966	1,804,193	2,649,620	2,788,260
<b>NET POSITION</b>						
Net invested in capital assets	414,828	435,793	1,672,474	1,726,670	2,087,302	2,162,463
Restricted	450,603	430,979	-	-	450,603	430,979
Unrestricted	122,698	72,631	532,345	372,177	655,043	444,808
Total Net Position	\$ 988,129	\$ 939,403	\$ 2,204,819	\$ 2,098,847	\$ 3,192,948	\$ 3,038,250

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. That is resources needed to repay the debt normally must be provided from other resources since selling capital assets to pay debt is rare.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is \$655,043 and \$444,808 for 2025 and 2024, respectively.

**CITY OF PINCONNING**  
Bay County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2025

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	
	2025	2024	2025	2024	2025	2024
<b>PROGRAM REVENUES:</b>						
Charges for Services	\$ 7,435	\$ 88,782	\$ 781,345	\$ 615,536	\$ 788,780	\$ 704,318
Operating grants and contributions	370,992	346,155	-	-	370,992	346,155
Capital grants and contributions	-	31,851	-	131,579	-	163,430
						-
<b>GENERAL REVENUES:</b>						
Property taxes	584,733	562,043	-	-	584,733	562,043
State shared revenue	169,532	165,146	-	-	169,532	165,146
Unrestricted investment earnings	63,066	42,627	15,649	1,633	78,715	44,260
Gain on sale of capital assets	-	-	(442)	-	(442)	-
Miscellaneous revenue	26,205	37,184	19,297	-	45,502	37,184
<b>TOTAL REVENUE</b>	<b>1,221,963</b>	<b>1,273,788</b>	<b>815,849</b>	<b>748,748</b>	<b>2,037,812</b>	<b>2,022,536</b>
<b>PROGRAM EXPENSES:</b>						
General government	411,670	412,949	-	-	411,670	412,949
Public safety	245,836	205,108	-	-	245,836	205,108
Public works	510,200	526,071	-	-	510,200	526,071
Community & economic	232	-	-	-	232	-
Recreation and cultural	5,301	5,750	-	-	5,301	5,750
Interest on long term debt	-	-	67,915	-	67,915	-
Water & Sewer	-	-	783,355	870,242	783,355	870,242
<b>TOTAL EXPENSES</b>	<b>1,173,239</b>	<b>1,149,878</b>	<b>851,270</b>	<b>870,242</b>	<b>2,024,509</b>	<b>2,020,120</b>
Change in net position	48,724	123,910	(35,421)	(121,494)	13,303	2,416
Net position-beg of year	939,405	815,493	2,098,847	2,220,341	3,038,252	3,035,834
Net position-end of the year	\$ 988,129	\$ 939,403	\$ 2,063,426	\$ 2,098,847	\$ 3,051,555	\$ 3,038,250

**CITY OF PINCONNING**  
Bay County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2025

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As City of Pinconning completed its year, its governmental funds reported a total fund balance of \$1,273,202 which is less than the \$1,295,325 total fund balance at June 30, 2024. The City's major governmental funds include the General Fund, Major Streets, and the Local Streets.

**General Fund**

The general fund is the main operating fund of the City and accounts for all activities not required to be reported in other funds. Most general governmental activities of the City, which are financed by property tax levies, state shared revenues, and other unrestricted revenues are reported in the general fund. The General Fund highlights include:

- Ending fund balance was \$822,599 compared to the prior year ending fund balance of \$864,344.
- Decrease in fund balance of \$41,745.
- Revenues decreased \$72,110.
- Expenditures decreased \$19,428

**Major Street Fund**

The Major Street Fund accounts for the revenue and expenditures with the government's Major Street operations. The Major Street Fund ended the year with a fund balance of \$250,247. For the year the fund ended with a decrease in fund balance of \$32,885 this was mainly due to a transfer out to the Local Street Fund.

**Local Street Fund**

The Local Street Fund accounts for the revenue and expenditures with the government's Local Street operations. The Local Street Fund ended the year with a fund balance of \$198,345. For the year the fund ended with an surplus of \$50,496 this was mainly due to a transfer in from the Major Street Fund

**INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

As City of Pinconning completed its year, its Business-Type Funds reported total net position of 2,204,819 which is more than the \$2,098,847 total net position at June 30, 2024.

- Sewer Fund net position decreased by \$25,865
- Water Fund net position increased by \$131,837.

**CITY OF PINCONNING**  
Bay County, Michigan

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2025

**BUDGETARY HIGHLIGHTS**

Prior to the beginning of any year, the City's budget is compiled based upon certain assumptions and facts available at the time. During the year, the City acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the Board reviews and authorizes large expenditures when requested throughout the year. The budget was amended several times during the year.

**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 \$414,828 (net of accumulated depreciation) at June 30, 2025. Capital assets for business-type activities totaled \$3,204,474 (net of accumulated depreciation) at June 30, 2025. The notes to the financial statements contain more detailed information about the City's capital assets.

**LONG-TERM DEBT**

At year end, the City had \$1,532,000 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, 2025	\$	1,532,000

**ECONOMIC FACTORS**

Elected and appointed officials must consider many factors in the preparation and adoption of the annual budget. One of the many factors affecting the budget is the State of Michigan fiscal health, because a significant source of revenue for the General Fund is state shared revenue, a portion which is subject to state legislative approval. The consequences of the amount of state shared revenue received by the City are and will be dependent upon the economic condition of the State of Michigan. Property tax values are another significant factor in City revenues and often difficult to consistently determine due to changes in property values.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

CITY OF PINCONNING  
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION  
June 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business -Type Activities	Total	
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 415,561	\$ 178,721	\$ 594,282	\$ 62,955
Investments	835,732	342,200	1,177,932	-
Receivables				
Taxes	46,519	-	46,519	-
Customers	-	237,340	237,340	-
Due from other units of government	74,262	-	74,262	-
Inventories	-	4,172	4,172	-
Capital assets not being depreciated	25,000	50,000	75,000	5,000
Capital assets being depreciated	389,828	3,154,474	3,544,302	44,311
<b>Total Assets</b>	<b>1,786,902</b>	<b>3,966,907</b>	<b>5,753,809</b>	<b>112,266</b>
Deferred outflow of resources				
Deferred amount relating to net pension liability	79,881	8,878	88,759	-
<b>Total assets and deferred outflow of resources</b>	<b>1,866,783</b>	<b>3,975,785</b>	<b>5,842,568</b>	<b>112,266</b>
<b>LIABILITIES:</b>				
Checks written against future deposits	\$ -	\$ 44,581	\$ 44,581	\$ -
Accounts payable	16,287	66,683	82,970	-
Accrued and other liabilities	36,066	9,995	46,061	-
Unearned Revenues - Grants	46,519	-	46,519	-
Noncurrent liabilities				
Due within one year	13,691	127,345	141,036	-
Due in more than one year	21,904	1,439,678	1,461,582	-
Net pension liability	744,187	82,684	826,871	-
<b>Total Liabilities</b>	<b>878,654</b>	<b>1,770,966</b>	<b>2,649,620</b>	<b>-</b>
<b>NET POSITION:</b>				
Net investment in capital assets net of related debt	\$ 414,828	\$ 1,672,474	\$ 2,087,302	\$ 49,311
Restricted for streets	448,592	-	448,592	-
Restricted for Community Events	2,011	-	2,011	-
Unrestricted	122,698	532,345	655,043	62,955
<b>Total Net Position</b>	<b>\$ 988,129</b>	<b>\$ 2,204,819</b>	<b>\$ 3,192,948</b>	<b>\$ 112,266</b>

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

CITY OF PINCONNING  
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Governmental Activities	Business-Type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>								
<b>GOVERNMENTAL ACTIVITIES:</b>								
General government	\$ 411,670	\$ 1,966	\$ 160,736	\$ -	\$ (248,968)	\$ -	\$ (248,968)	\$ -
Public safety	245,836	1,013	-	-	(244,823)	-	(244,823)	-
Public works	510,200	-	208,206	-	(301,994)	-	(301,994)	-
Community and economic development	232	-	2,050	-	1,818	-	1,818	-
Recreational and cultural	5,301	4,456	-	-	(845)	-	(845)	-
<b>Total Governmental Activities</b>	<b>1,173,239</b>	<b>7,435</b>	<b>370,992</b>	<b>-</b>	<b>(794,812)</b>	<b>-</b>	<b>(794,812)</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Sewer	495,100	499,720	-	2,880	-	7,500	7,500	-
Water	288,255	281,625	-	138,513	-	131,883	131,883	-
<b>Total Business-Type Activities</b>	<b>783,355</b>	<b>781,345</b>	<b>-</b>	<b>141,393</b>	<b>-</b>	<b>139,383</b>	<b>139,383</b>	<b>-</b>
<b>Total Primary Government</b>	<b>1,956,594</b>	<b>788,780</b>	<b>370,992</b>	<b>141,393</b>	<b>(794,812)</b>	<b>139,383</b>	<b>(655,429)</b>	<b>-</b>
<b>COMPONENT UNIT:</b>								
Downtown Development Authority	\$ 103,388	\$ -	\$ -	\$ -				(103,388)
<b>GENERAL REVENUES:</b>								
Property taxes					584,733	-	584,733	86,004
State shared revenues					169,532	-	169,532	-
Unrestricted investment income (loss)					63,066	(52,266)	10,800	585
Gain (Loss) on sale of capital assets					-	(442)	(442)	-
Insurance recoveries					19,670	3,938	23,608	-
Miscellaneous					21,894	-	21,894	5,435
Transfers					(15,359)	15,359	-	-
<b>Total General Revenues</b>					<b>843,536</b>	<b>(33,411)</b>	<b>810,125</b>	<b>92,024</b>
<b>Change in Net Position</b>					<b>48,724</b>	<b>105,972</b>	<b>154,696</b>	<b>(11,364)</b>
<b>Net Position - Beginning of Year</b>					<b>939,405</b>	<b>2,098,847</b>	<b>3,038,252</b>	<b>123,630</b>
<b>Net Position - End of Year</b>					<b>\$ 988,129</b>	<b>\$ 2,204,819</b>	<b>\$ 3,192,948</b>	<b>\$ 112,266</b>

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

CITY OF PINCONNING  
Bay County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2025

	SPECIAL REVENUE FUNDS			NONMAJOR GOVERNMENTAL	TOTAL
	GENERAL	MAJOR STREETS	LOCAL STREETS		
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 160,706	\$ 122,806	\$ 130,038	\$ 2,011	\$ 415,561
Investments	669,581	105,294	60,857	-	835,732
Receivables					
Other Receivables	46,519	-	-	-	46,519
Due from other units of government	41,074	24,865	8,323	-	74,262
<b>TOTAL ASSETS</b>	<b>\$ 917,880</b>	<b>\$ 252,965</b>	<b>\$ 199,218</b>	<b>\$ 2,011</b>	<b>\$ 1,372,074</b>
<b>LIABILITIES:</b>					
Accounts payable	\$ 16,287	\$ -	\$ -	\$ -	\$ 16,287
Accrued and other liabilities	32,475	2,718	873	-	36,066
Unearned revenue	46,519	-	-	-	46,519
<b>TOTAL LIABILITIES</b>	<b>95,281</b>	<b>2,718</b>	<b>873</b>	<b>-</b>	<b>98,872</b>
<b>FUND BALANCES:</b>					
Restricted for streets	-	250,247	198,345	-	448,592
Restricted for community events	-	-	-	2,011	2,011
Unassigned (deficit)	822,599	-	-	-	822,599
<b>Total Fund Balances</b>	<b>822,599</b>	<b>250,247</b>	<b>198,345</b>	<b>2,011</b>	<b>1,273,202</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 917,880</b>	<b>\$ 252,965</b>	<b>\$ 199,218</b>	<b>\$ 2,011</b>	<b>\$ 1,372,074</b>

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

CITY OF PINCONNING  
Bay County, Michigan

GOVERNMENTAL FUNDS  
RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
June 30, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	1,273,202
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		414,828
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds Compensated absences		(35,595)
Deferred outflows of resources Deferred outflows of resources resulting from net pension liability		79,881
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Net pension liability		<u>(744,187)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>988,129</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 BALANCES  
For the Year Ended June 30, 2025

	Special Revenue Funds				TOTAL
	GENERAL	MAJOR STREETS	LOCAL STREETS	NONMAJOR GOVERNMENTAL	
<b>REVENUES:</b>					
Taxes	\$ 584,773	\$ -	\$ -	\$ -	\$ 584,773
Licenses and permits	1,966	-	-	-	1,966
State revenue sharing	169,532	-	-	-	169,532
Other state grants	110,381	155,994	52,212	-	318,587
Local contributions	50,355	-	-	2,050	52,405
Charges for services	4,456	-	-	-	4,456
Fines and forfeitures	1,013	-	-	-	1,013
Investment income (loss)	40,798	4,881	857	-	46,536
Rental income	16,530	-	-	-	16,530
Other revenue	21,894	-	-	-	21,894
<b>Total Revenues</b>	<b>\$ 1,001,698</b>	<b>\$ 160,875</b>	<b>\$ 53,069</b>	<b>\$ 2,050</b>	<b>\$ 1,217,692</b>
<b>EXPENDITURES:</b>					
Current					
General government	\$ 476,560	\$ -	\$ -	\$ -	\$ 476,560
Public safety	238,314	-	-	-	238,314
Public works	306,375	123,760	72,573	-	502,708
Community and economic development	237	-	-	39	276
Recreation and culture	4,788	-	-	-	4,788
Capital outlay	21,480	-	-	-	21,480
<b>Total Expenditures</b>	<b>\$ 1,047,754</b>	<b>\$ 123,760</b>	<b>\$ 72,573</b>	<b>\$ 39</b>	<b>\$ 1,244,126</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(46,056)</b>	<b>37,115</b>	<b>(19,504)</b>	<b>2,011</b>	<b>(26,434)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer from other funds	-	-	70,000	-	70,000
Transfer to other funds	(15,359)	(70,000)	-	-	(85,359)
Insurance recoveries	19,670	-	-	-	19,670
<b>Total Other Financing Sources (Uses)</b>	<b>4,311</b>	<b>(70,000)</b>	<b>70,000</b>	<b>-</b>	<b>4,311</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(41,745)</b>	<b>(32,885)</b>	<b>50,496</b>	<b>2,011</b>	<b>(22,123)</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>	<b>864,344</b>	<b>283,132</b>	<b>147,849</b>	<b>-</b>	<b>1,295,325</b>
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 822,599</b>	<b>\$ 250,247</b>	<b>\$ 198,345</b>	<b>\$ 2,011</b>	<b>\$ 1,273,202</b>

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 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2025

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS                   \$           (22,123)

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 useful lives and reported as depreciation expense.

Depreciation expense	(42,445)
Capital outlay	21,480

Expenses are recorded when incurred in the statement of activities Compensated absences	(35,595)
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The statement of net position reports the net pension liability and deferred  
 outflows and deferred inflows of resources related to the net pension  
 liability and pension expense. However, the amount recorded on the  
 governmental funds equals actual pension contributions

Net change in net pension liability	137,013
Net change in the deferred outflow of resources related to the net pension liability	(9,610)

Rounding	4
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CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES                   \$           48,724

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

CITY OF PINCONNING  
Bay County, Michigan

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
June 30, 2025

<u>ASSETS:</u>	Business-Type Activities		
	Major Enterprise Funds		
	Sewer Fund	Water Fund	Total
Current Assets:			
Cash and cash equivalents	\$ -	\$ 178,721	\$ 178,721
Investments	21,071	321,129	342,200
Accounts receivable			
Customers	144,650	92,690	237,340
Inventory	4,172	-	4,172
Total Current Assets	169,893	592,540	762,433
Noncurrent Assets:			
Capital assets not being depreciated	50,000	-	50,000
Capital assets being depreciated	2,867,623	286,851	3,154,474
Total Noncurrent Assets	2,917,623	286,851	3,204,474
Total Assets	3,087,516	879,391	3,966,907
Deferred outflows of resources			
Deferred amount relating to net pension liability	6,658	2,220	8,878
Total asset and deferred outflows of resources	3,094,174	881,611	3,975,785
<u>LIABILITIES:</u>			
Current Liabilities:			
Checks written against future deposits	44,581	-	44,581
Accounts payable	8,296	58,387	66,683
Accrued expenses	13,938	4,403	18,341
Current portion of long-term liabilities	119,000	-	119,000
Total Current Liabilities	185,815	62,790	248,605
Noncurrent Liabilities:			
Compensated absences	19,630	7,047	26,677
Net pension liability	62,013	20,671	82,684
Revenue bond payable	1,413,000	-	1,413,000
Total Noncurrent Liabilities	1,494,643	27,718	1,522,361
Total Liabilities	1,680,458	90,508	1,770,966
<u>NET POSITION:</u>			
Net investment in capital assets net of related debt	1,385,623	286,851	1,672,474
Unrestricted	28,093	504,252	532,345
Total Net Position	\$ 1,413,716	\$ 791,103	\$ 2,204,819

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  
For the Year Ended June 30, 2025

	Business-Type Activities		
	Major Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>OPERATING REVENUES:</b>			
Customer fees	\$ 491,905	\$ 274,116	\$ 766,021
Connection fees	-	240	240
Other revenue	7,815	7,269	15,084
Total Operating Revenues	499,720	281,625	781,345
<b>OPERATING EXPENSES:</b>			
Personnel service	137,604	76,737	214,341
Supplies	35,327	8,864	44,191
Contractual services	22,220	114,184	136,404
Repairs and maintenance	47,182	59,418	106,600
Utilities	88,264	660	88,924
Other expenses	4,212	8,639	12,851
Depreciation	160,291	19,753	180,044
Total Operating Expenses	495,100	288,255	783,355
Operating Income	4,620	(6,630)	(2,010)
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Grants	2,880	138,513	141,393
Investment income (loss)	981	14,668	15,649
Gain (loss) on sale of assets	-	(442)	(442)
Insurance recovery	3,938	-	3,938
Interest expense	(61,084)	(6,831)	(67,915)
Total Nonoperating Revenues (Expenses)	(53,285)	145,908	92,623
Income (Loss) before contributions	(48,665)	139,278	90,613
Transfers in	22,800	15,359	38,159
Transfers out	-	(22,800)	(22,800)
Total transfers in (out)	22,800	(7,441)	15,359
Change in Net Position	(25,865)	131,837	105,972
Net Position - Beginning of Year	1,439,581	659,266	2,098,847
Net Position End of Year	\$ 1,413,716	\$ 791,103	\$ 2,204,819

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

CITY OF PINCONNING  
Bay County, Michigan

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2025

	Business-Type Activities		
	Major Enterprise Funds		
	Sewer	Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 451,807	\$ 232,765	\$ 684,572
Cash payments to suppliers for goods and services	(207,863)	(161,920)	(369,783)
Cash payments to employees for services	(122,753)	(73,512)	(196,265)
Net cash provided (used) by operating activities	<u>121,191</u>	<u>(2,667)</u>	<u>118,524</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>			
Transfers from other funds	22,800	-	22,800
Transfers to other funds	-	(22,800)	(22,800)
Insurance recovery	3,938	-	3,938
Grants	2,880	138,513	141,393
Net cash provided (used) by noncapital financing activities	<u>29,618</u>	<u>115,713</u>	<u>145,331</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid on bonds	(61,084)	(6,831)	(67,915)
Principal payments on bonds	(114,000)	-	(114,000)
Proceeds from sale of capital assets	-	3,066	3,066
Net cash provided (used) by capital and related financing activities	<u>(175,084)</u>	<u>(3,765)</u>	<u>(178,849)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of investments	(977)	(19,668)	(20,645)
Interest on investments	981	14,668	15,649
Net cash provided (used) by investing activities	<u>4</u>	<u>(5,000)</u>	<u>(4,996)</u>
Net change in cash and cash equivalents	<u>(24,271)</u>	<u>104,281</u>	<u>80,010</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	(216)	375,901	375,685
PRIOR PERIOD ADJUSTMENT	(20,094)	(301,461)	(321,555)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR (RESTATED)	<u>(20,310)</u>	<u>74,440</u>	<u>54,130</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ (44,581)</u>	<u>\$ 178,721</u>	<u>\$ 134,140</u>
<b>RECONCILIATION OF INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Income (loss) from operations	\$ 4,620	\$ (6,630)	\$ (2,010)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation expense	160,291	19,753	180,044
Non cash changes related to net pension liability	(11,418)	(3,806)	(15,224)
Change in assets and liabilities:			
Receivables (net)	(47,913)	(48,860)	(96,773)
Inventories	-	-	-
Deferred outflows	801	267	1,068
Accounts payable	(10,658)	29,845	19,187
Accrued and other liabilities	5,838	(283)	5,555
Net Cash Provided (Used) in Operating Activities	<u>\$ 121,191</u>	<u>\$ (2,667)</u>	<u>\$ 118,524</u>

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

CITY OF PINCONNING  
Bay County, Michigan

FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2025

	<u>TAX COLLECTION AGENCY FUND</u>	
<b>ASSETS:</b>		
Cash and cash equivalents	\$	<u>295</u>
Total Assets		<u><u>295</u></u>
<b>LIABILITIES:</b>		
Accrued and other liabilities		295
Total Liabilities	\$	<u><u>295</u></u>

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

CITY OF PINCONNING  
Bay County, Michigan

FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
June 30, 2025

	<u>TAX COLLECTION AGENCY FUND</u>
<b>ADDITIONS</b>	
Property tax collections	<u>\$ 1,555,499</u>
Total Additions	<u>1,555,499</u>
<b>Deductions</b>	
Payments of property taxes to other governments	1,541,403
Administrative expenses	<u>14,096</u>
Total Deductions	<u>1,555,499</u>
<b>NET POSITION</b>	
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**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

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

**DESCRIPTION OF REPORTING ENTITY:**

City of Pinconning is located in Bay County, 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.

**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

*Discretely Presented Component Unit*

The Downtown Development Authority (the DDA) is reported in a separate column to emphasize that it is legally separate from the City. The members of the Governing Board of the DDA are appointed by the City Council, and the budgets and expenditures of the DDA must be approved by the City Council. The City also has the ability to significantly influence operations of the DDA. The DDA does not issue any other form of financial statements except as contained in the City of Pinconning annual financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**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.

During the year, the Authority acquired a new fire truck financed through separate lease-purchase agreements entered into individually by the participating municipalities. Although the City executed a lease-purchase agreement with the lender for its proportional share of the financing, the Authority retains possession and operational control of the fire truck. Accordingly, the City does not recognize any related capital assets or long-term liability, consistent with GASB statement No. 34 and GASB Statement No. 87.

The City's portion contributed for the fiscal year totaled \$95,345 for operating purposes. the City is also committed to annual payments under the financing arrangement described above through fiscal year 2028 in support of the Authority's acquisition of capital equipment. The annual amount contributed under this arrangement is \$50,454 and is reported as contributions to other governmental units. A separate Audit is available for the fire authority.

**BASIS OF PRESENTATION:**

**Government-Wide Statements**

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable 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) 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.

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 Funds, Proprietary Funds, and Fiduciary Funds. 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.

**CITY OF PINCONNING  
Bay County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

**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 expenditures of those funds related to the maintenance and construction of major roads with 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.

***DDA Fund –Discretely present component unit***

The Downtown Development Authority Fund is used to account for revenues and expenditures related to the economic development, neighborhood revitalization, historic preservation, and capital improvements within its district, funded by various grants and mileage increases.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**Major Proprietary Funds**

Propriety funds distinguish operating revenues and expenses from nonoperating 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. The principle operating revenues of the sewer and water funds charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***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 the revenue and expenses for the operation of a sewer system for the residents of the City. Activities of the fund include administration, operation and maintenance of the sewer lines 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**

Fiduciary funds are used to account for assets temporarily held by the City for other governments in an agency capacity. Fiduciary funds are reported in separate Statements of Fiduciary Net Position. The funds are excluded from the City's other financial statements because the assets cannot be utilized by the City to finance its operations.

***Tax Collection Fund -***

Tax Collection Fund is an agency fund to account for collection of property taxes of other local

**CITY OF PINCONNING  
Bay County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

**MEASUREMENT FOCUS/BASIS OF ACCOUNTING:**

*Measurement focus* refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements, the propriety fund and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, sales taxes, franchise fees, licenses, and interest income associated with the current fiscal period and have been so recognized. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government and is recognized when received.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**ASSETS, LIABILITIES AND NET POSITION OR EQUITY:**

***Deposits and investments –***

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

***Receivables and payables –***

In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

***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 2024 taxable valuation of the government totaled \$27,769,224 on which ad valorem taxes consisted of 14.2067 mills for operating purposes. This resulted in \$351,931 for taxes general operating expenses. The City of Pinconning Downtown Development Authority captured taxes totaling \$71,217.

***Inventories and prepaid items –***

Inventories are valued at cost, on a first-in, first-out basis. Inventories in the Sewer Fund are comprised of meters and parts. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years. For such payments in governmental funds, the City follows the consumption method, and they therefore are capitalized as prepaid items in both entity-wide and fund financial statements.

**CITY OF PINCONNING  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

***Capital Assets—***

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Plant, property and equipment are depreciated using the straight-line method over the following useful lives:

	<u>YEARS</u>
Buildings and additions	40-50
Land improvements	15-20
Vehicles	5-10
Furniture and other equipment	3-10
Water and sewer transmission lines	40

**CITY OF PINCONNING**  
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**For the Year Ended June 30, 2025**

***Compensated absences -***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick time. Any unused vacation time in excess of 240 hours will be forfeited at the employees anniversary date. Employees are allowed to carry over 80 hours of vacation time a year, but aren't allowed to exceed the maximum of 240 banked hours. Upon voluntary resignation or retirement, any unused vacation time is compensated at 100% of remaining vacation time for hourly employees and 50% for salary employees. Sick time accumulates at a rate of 8 hours for every 120 hours worked and caps at 560 hours. Upon voluntary resignation or retirement, any unused sick time is compensated at 100% for hourly employees and 25% for salary employees. Vacation and sick time benefits are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured.

***Deferred outflows of resources -***

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. The City reports deferred outflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense. Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees in the plan. The City also reported deferred outflows of resources for pension contributions made after the measurement date. This amount will reduce net pension liability in the following year.

***Long-term obligations –***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF PINCONNING  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

***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 to 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.

***Deferred inflows of resources –***

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. The City reports deferred inflows of resources as a result of pension earnings. This amount is the result of a difference between what the plan expected to earn from the plan investments and what the plan actually earned. This amount will be amortized over the next four years and included in pension expense.

Changes in assumptions and experience differences relating to the net pension liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.

**CITY OF PINCONNING  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

***Fund equity –***

In the fund financial statements, governmental funds report fund balance in the following

*Non-spendable* – assets that are not available in a spendable form.

*Restricted* – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

*Committed* – amounts constrained on use imposed by the City's highest level of decision-making, its Board of Trustees. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Trustees.

*Assigned* – amounts intended to be used for specific purposes, as determined by the Board of Trustees, finance committee, or the City Manager. The Board of Trustees has granted the finance committee and City Manager the authority to assign funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

*Unassigned* – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

*Net Position Flow Assumption* – Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted net position. In order to calculate the amounts to report as restricted or unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which resources are considered to be applied. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to consider restricted funds spent first.

*Fund Balance Flow Assumption* - When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the City's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

***Contingent liabilities –***

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**CITY OF PINCONNING  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

**NOTE 2. CHANGE IN ACCOUNTING PRINCIPLE:**

For 2025, the City implemented GASB Statement No. 101, Compensated Absences, which became effective for fiscal years beginning after December 15, 2023. It requires that liabilities for compensated absences be recognized for (1.) leave that has not been used and (2.) leave that has been used but not yet paid. Liabilities for certain types of compensated absences - including parental leave, military leave, and jury duty leave will not be recognized until the leave commences. Generally, the liability will be measured using an employee's pay rate as of the date of the financial statements. The implementation of the new principle did not have a material effect on the financial statements.

**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

**BUDGETARY INFORMATION:**

The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. State law required the City to have its budget in place by June 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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 4. DEPOSITS AND INVESTMENTS:**

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

	Cash and Cash Equivalents	Investments	Total
Governmental activities	\$ 415,561	\$ 835,732	\$ 1,251,293
Business-type activities	178,721	342,200	520,921
Total primary government	<u>594,282</u>	<u>1,177,932</u>	<u>1,772,214</u>
Custodial funds	-	-	-
Component unit	62,955	-	62,955
Total	<u>\$ 657,237</u>	<u>\$ 1,177,932</u>	<u>\$ 1,835,169</u>

The breakdown of deposits for the City is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificate of deposit)	\$ 1,772,214	\$ 295	\$ 62,955	\$ 1,835,464
Insured deposits	(594,282)	-	(62,955)	(657,237)
Total uninsured	<u>\$ 1,177,932</u>	<u>\$ 295</u>	<u>\$ -</u>	<u>\$ 1,178,227</u>

**CITY OF PINCONNING  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

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 any agency or instrumentality of the United States; 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 portfolio resulting from losses on individual securities will be minimized. Not more than 50% of any fund may be invested in commercial paper at any time.

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, 2025, \$1,177,932 of the City’s bank balance of \$1,772,213 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, 2025 consisted of U.S. Treasury Note investments of \$1,177,931, valued using quoted market prices (Level 1 inputs).

**CITY OF PINCONNING**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 5. CAPITAL ASSETS:**

Capital asset activity of the primary government for the year ended June 30, 2025 was as follows:

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets being depreciated</b>				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Construction in progress	-	-	-	-
<b>Total capital assets not being depreciated</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>25,000</b>
<b>Capital assets being depreciated</b>				
Infrastructure	637,853	-	-	637,853
Building, additions and improvements	955,204	-	-	955,204
Furniture & equipment	852,279	21,480	-	873,759
<b>Total capital assets being depreciated</b>	<b>2,445,336</b>	<b>21,480</b>	<b>-</b>	<b>2,466,816</b>
<b>Less accumulated depreciation for</b>				
Infrastructure	328,126	20,272	-	348,398
Building, additions and improvements	924,131	1,492	-	925,623
Furniture & equipment	782,286	20,681	-	802,967
<b>Total accumulated depreciated</b>	<b>2,034,543</b>	<b>42,445</b>	<b>-</b>	<b>2,076,988</b>
<b>Net capital assets being depreciated</b>	<b>410,793</b>	<b>(20,965)</b>	<b>-</b>	<b>389,828</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 435,793</b>	<b>\$ (20,965)</b>	<b>\$ -</b>	<b>\$ 414,828</b>

**CITY OF PINCONNING**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

<b>Business-type Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets not being depreciated</b>				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	-	-	-	-
<b>Total capital assets not being depreciated</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>50,000</b>
<b>Capital assets being depreciated</b>				
Buildings and improvements	3,452,334	-	-	3,452,334
Water and sewer distribution systems	4,026,272	-	(13,655)	4,012,617
Furniture and equipment	219,096	15,359	-	234,455
<b>Total capital assets being depreciated</b>	<b>7,697,702</b>	<b>15,359</b>	<b>(13,655)</b>	<b>7,699,406</b>
<b>Less accumulated depreciation for</b>				
Buildings and improvements	1,822,589	69,992	-	1,892,581
Water and sewer distribution systems	2,336,287	108,791	(10,145)	2,434,933
Furniture and equipment	216,156	1,261	-	217,417
<b>Total accumulated depreciation</b>	<b>4,375,032</b>	<b>180,044</b>	<b>(10,145)</b>	<b>4,544,931</b>
<b>Net capital assets being depreciated</b>	<b>3,322,670</b>	<b>(164,685)</b>	<b>10,145</b>	<b>3,154,475</b>
<b>Business-type capital assets, net</b>	<b>\$ 3,372,670</b>	<b>\$ (164,685)</b>	<b>\$ 10,145</b>	<b>\$ 3,204,475</b>

**CITY OF PINCONNING**  
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**For the Year Ended June 30, 2025**

Capital asset activity of the component unit for the year ended June 30, 2025 was as follows:

Component unit	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	5,000	-	-	5,000
Capital assets being depreciated				
Buildings and improvements	102,721	-	-	102,721
Furniture	40,395	-	-	40,395
Total capital assets being depreciated	143,116	-	-	143,116
Less accumulated depreciation for				
Buildings and improvements	56,293	2,118	-	58,411
Furniture & equipment	40,395	-	-	40,395
Total accumulated depreciation	96,688	2,118	-	98,806
Net capital assets being depreciated	46,428	(2,118)	-	44,310
Component unit capital assets, net	<u>\$ 51,428</u>	<u>\$ (2,118)</u>	<u>\$ -</u>	<u>\$ 49,310</u>

Depreciation expense was charged to programs as follows:

**Governmental activities**

General Fund	\$ 1,439
Public safety	4,858
Public works	35,635
Recreation and culture	513
Total governmental activities	<u>\$ 42,445</u>

**Business-type activities**

Sewer	\$ 160,291
Water	19,753
Total business-type activities	<u>180,044</u>

Total primary government \$ 222,489

**Component Unit**

    Economic Development \$ 2,118

**CITY OF PINCONNING**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:**

The City had no interfund receivables or payables.

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The detail for interfund transfers is as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
Major Street	Local Street	\$ 70,000
Water	Sewer	22,800
General	Water	15,359

The transfer from the Major Street Fund to the Local Street Fund represents the sharing of gas and weight tax revenue in accordance with Act 51. The transfer from Water to Sewer represents the portion of the annual debt payment the Water fund is responsible for. The Transfer from General to Water represents the purchase of a fixed asset with grant funds received by the General fund.

**CITY OF PINCONNING**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 7. LONG-TERM DEBT:**

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General, Sewer and Water Funds.

Long-term obligation activity is summarized as follows:

	maturity date and interest rate	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>GOVERNMENTAL ACTIVITIES</b>						
Compensated absences		\$ -	\$ 35,595 *	\$ -	\$ 35,595	\$ 13,691
<b>BUSINESS-TYPE ACTIVITIES</b>						
Sewer disposal Revenue Bond 2022	4.15%	\$ 1,646,000	\$ -	\$ 114,000	\$1,532,000	\$ 119,000
Compensated absences		-	35,023 *	-	35,023	8,345
Total business-type activities		\$ 1,646,000	\$ 35,023	\$ 114,000	\$1,567,023	\$ 127,345

\* Represented as net of additions and reductions.

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

Year Ended June 30,	<b>BUSINESS-TYPE ACTIVITIES</b>	
	Principal	Interest
2026	119,000	68,309
2027	124,000	63,578
2028	128,000	58,640
2029	136,000	53,494
2030	143,000	48,182
2031-2035	802,000	151,144
2036-2037	80,000	4,980
Total	\$ 1,532,000	\$ 448,327

**NOTE 8. RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims from these risks have not exceeded insurance coverage for the year ended June 30, 2025.

**CITY OF PINCONNING  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

**NOTE 9. DEFINED BENEFIT PENSION PLAN:**

**Plan Description**

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained at [www.mersofmich.com](http://www.mersofmich.com) or by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

**Benefits Provided**

Benefits provided include plans with multipliers ranging from 2.25% to 2.50%. Vesting period of 10 years. Normal retirement age is 60 with early retirement ranging from 50 to 55 years with ranges of 15 to 30 years of service. Final average compensation is calculated based on 3 years.

**Employees Covered by Benefit Terms**

At the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	1
Active Employees	<u>3</u>
<b>TOTAL</b>	<u><u>16</u></u>

\*This plan is closed to additional participants as of 2021\*

**CITY OF PINCONNING**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**Contributions**

The employer is required to contribute at an actuarially determined rate, which for the current year was approximately \$8,196 per month. Contributions are determined based on position and classification of participating employees. Participating employees are required to contribute from 1.71% to 4.24% percent of gross wages to the plan based on position and classification. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of employees are established and may be amended by labor agreements.

**Net Pension Liability**

The employer's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**Actuarial Assumptions**

The total pension liability in December 31, 2024's annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement are: 1) Inflation 2.5%; 2) Salary increases 3.00%; 3) Investment rate of return 7%, net of investment expense, including inflation.

Mortality rates used for non-disabled plan member were based on weighted blend of MP-2019 mortality tables of a 50% male and 50% female blend. Mortality rates used for disabled plan members were based on a blend of MP-2019 disabled retiree mortality tables of 50% males and 50% females blend of disabled retirees.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2024.

**CITY OF PINCONNING  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>	<b>Expected Money- Weighted Rate of Return</b>
Global Equity	60.0%	4.50%	2.70%
Global Fixed Income	20.0%	2.00%	0.40%
Private Investments	20.0%	7.00%	1.40%
	100.0%		
Inflation			2.50%
Dedicated gains adjustment			-0.07%
Administrative expenses netted above			0.25%
			7.18%

**Discount Rate**

The discount rate used to measure the total pension liability is 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<b>Total Pension Liability</b>	
Service cost	\$ 14,763
Interest on the total pension liability	151,328
Experience differences	(122,486)
Changes in actuarial assumptions	(3,009)
Other changes	3,891
Benefits payments and refunds	<u>(162,228)</u>
Net change in total pension liability	(117,741)
Total pension liability - beginning	<u>2,235,564</u>
Total pension liability - ending (a)	<u><u>2,117,823</u></u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	97,962
Employee contributions	8,720
Pension plan net investment income	92,785
Benefit payments and refunds	(162,228)
Pension plan administrative expense	<u>(2,742)</u>
Net change in plan fiduciary net position	34,497
Plan fiduciary net position - beginning	<u>1,256,452</u>
Plan fiduciary net position - ending (b)	1,290,949
Net pension liability (a-b)	<u><u>\$ 826,874</u></u>
Plan fiduciary net position as a percentage of total pension liability	60.96%
Covered employee payroll	\$ 107,135
Net pension liability as a percentage of covered employee payroll	771.81%

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

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

The following presents the net pension liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's net pension liability 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	Current Discount Rate	1% Increase
Net Pension Liability (NPL)		\$ 826,874	
Change in NPL	191,627	-	(166,498)
<b>Net Pension Liability</b>	<b>\$ 1,018,501</b>	<b>\$ 826,874</b>	<b>\$ 660,376</b>

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

The following presents the net pension liability of the employer, calculated using the discount for the year ended June 30, 2025, the employer recognized pension expense of (\$43,273). The employer reported deferred outflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total	Total to Amortize
Difference in Experience	\$ -	\$ -	\$ -	\$ -
Difference in Assumptions	-	-	-	-
Excess Investment Returns	43,377	3,731	39,646	39,646
<b>Subtotal</b>	<b>43,377</b>	<b>3,731</b>	<b>39,646</b>	<b>39,646</b>
Contributions Subsequent to the Measurement Date*	98,287	-	98,287	-
<b>Total</b>	<b>\$ 141,664</b>	<b>\$ 3,731</b>	<b>\$ 137,933</b>	<b>\$ 39,646</b>

**CITY OF PINCONNING  
Bay County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2025**

\*The amount reports as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending 2025.

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

<u>Year Ended</u>	
2025	17,109
2026	33,715
2027	(10,246)
2028	(932)
Thereafter	-
	<u>\$ 39,646</u>

**NOTE 10. DEFINED CONTRIBUTION PLAN:**

The City provides retirement benefits through a defined contribution plan administered by Empower. The plan covers all full-time employees (with voluntary participation). The City contributes 10-15% of a covered employees' wages depending the employees position with an option for additional voluntary contributions. The plan operates under an immediate vesting schedule. Contributions are based on Medicare taxable wages, and forfeitures of investments amounts are used to offset future employer contributions. Empower serves as the plan administrator, and the plan complies with applicable laws and the City's adoption agreement and resolution. Additional details are through the City's Finance Department. For the current year ending employer and employee contributions were \$28,747 and \$12,736 respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2025**

**NOTE 11. TAX ABATEMENTS:**

Effective for year ended December 31, 2018, the City is required to disclose tax abatements as required by GASB Statement 77, Tax Abatements. The City enters into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Act PA Act 198 of 1974 (Industrial Facilities Exemption). Under the Act, localities may grant property tax abatements of up to 50 percent of a business property bill for the purpose of attracting or retaining businesses within the jurisdictions. There were no property taxes abated during the period ended June 30, 2025.

**NOTE 12. PRIOR PERIOD ADJUSTMENT:**

During the current year, the City identified an error in the prior year's statement of cash flows related to the classification of long-term investments. Specifically, long-term investments were incorrectly included in the ending cash balance rather than being excluded from cash and reported as a purchase of investments within cash flows were overstated.

The error affected only the presentation within that statement of cash flows and did not impact total assets, net position or the change in net position previously reported. The accompanying financial statements have been restated to correct this error. The effect of the restatement decreased beginning cash and cash equivalents by \$321,555.

**NOTE 13. CONTINGENCIES:**

Subsequent to year-end, the City identified that the geographic boundaries over which the Downtown Development Authority (DDA), a component unit of the City, has taxing jurisdiction may differ from those originally adopted by the DDA. As a result, a portion of tax increment revenues captured in prior years may have been collected from other local units outside the DDA's proper jurisdiction. The amount of any potential over-capture, and therefore any liability the DDA may owe to the surrounding local units, cannot be reasonably estimated as of the date of these financial statements. The City is currently evaluating the extent of the boundary discrepancy and any resulting financial impact.

**NOTE 14. MANAGEMENT REVIEW:**

Management has evaluated subsequent events and transactions for potential recognition and disclosure through December 8, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL**  
**For the Year Ended June 30, 2025**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes				
Property taxes	\$ 628,000	\$ 557,611	\$ 564,738	\$ 7,127
Administration fees	12,000	20,034	20,035	1
Licenses and permits	2,960	2,675	1,966	(709)
State revenue sharing	170,000	169,532	169,532	-
State grants	86,200	110,849	110,381	(468)
Local contributions	61,300	60,355	50,355	(10,000)
Charges for services	30,000	4,500	4,456	(44)
Fines and forfeitures	1,000	1,515	1,013	(502)
Interest income	45,000	52,000	40,798	(11,202)
Rental income	55,500	58,200	16,530	(41,670)
Other revenue	5,000	22,292	21,894	(398)
Sale of fixed assets	10,000	3,100	-	(3,100)
Insurance recoveries	-	20,000	19,670	(330)
Total Revenues	<u>1,106,960</u>	<u>1,082,663</u>	<u>1,021,368</u>	<u>(61,295)</u>
<b>EXPENDITURES:</b>				
General Government				
City Council	12,500	12,945	12,511	434
Manager	91,750	101,490	97,433	4,057
Clerk	73,260	75,788	71,999	3,789
Board of review	1,100	1,475	1,270	205
Treasurer	65,500	67,665	65,976	1,689
Assessor	12,600	14,643	13,166	1,477
Elections	7,200	12,316	12,115	201
Buildings & grounds	189,450	202,065	202,090	(25)
Total general government	<u>453,360</u>	<u>488,387</u>	<u>476,560</u>	<u>11,827</u>
Public safety				
Police	160,400	121,197	106,204	14,993
Fire department	150,000	124,600	132,110	(7,510)
Total public safety	<u>310,400</u>	<u>245,797</u>	<u>238,314</u>	<u>7,483</u>
Public works				
Sanitation	127,000	130,900	120,220	10,680
Department of public works	158,750	157,235	161,123	(3,888)
Street lighting	20,000	28,000	25,032	2,968
Total public works	<u>305,750</u>	<u>316,135</u>	<u>306,375</u>	<u>9,760</u>
Community and economic development				
Zoning	-	237	237	-
Recreation and culture				
Parks and recreation	4,750	5,190	4,788	402
Capital outlays				
-	-	21,480	21,480	-
Transfers out				
-	-	15,359	15,359	-
Total expenditures	<u>1,074,260</u>	<u>1,071,105</u>	<u>1,063,113</u>	<u>7,992</u>
Excess (deficiency) of revenues over expenditures	32,700	11,558	(41,745)	(53,303)
FUND BALANCE - BEGINNING OF YEAR	<u>864,344</u>	<u>864,344</u>	<u>864,344</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 897,044</u>	<u>\$ 875,902</u>	<u>\$ 822,599</u>	<u>\$ (53,303)</u>

CITY OF PINCONNING  
Bay County, Michigan

MAJOR STREET FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
For the Year Ended June 30, 2025

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
State Grants	\$ 160,000	\$ 160,000	\$ 155,994	\$ (4,006)
Interest income	-	4,800	4,881	81
<b>Total Revenues</b>	<u>160,000</u>	<u>164,800</u>	<u>160,875</u>	<u>(3,925)</u>
<b>EXPENDITURES:</b>				
Public works	<u>57,700</u>	<u>125,300</u>	<u>123,760</u>	
<b>Total Expenditures</b>	<u>57,700</u>	<u>125,300</u>	<u>123,760</u>	<u>1,540</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(50,000)	(70,000)	(70,000)	-
<b>Total Other Sources (Uses)</b>				
<b>Excess (deficiency) of revenues over expenditures</b>	102,300	(30,500)	(32,885)	(2,385)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>283,132</u>	<u>283,132</u>	<u>283,132</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 385,432</u>	<u>\$ 252,632</u>	<u>\$ 250,247</u>	<u>\$ (2,385)</u>

CITY OF PINCONNING  
Bay County, Michigan

LOCAL STREET FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
For the Year Ended June 30, 2025

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
State grants	\$ 55,000	\$ 55,000	\$ 52,212	\$ (2,788)
Interest income	-	700	857	157
<b>Total Revenues</b>	<b>55,000</b>	<b>55,700</b>	<b>53,069</b>	<b>(2,631)</b>
<b>EXPENDITURES:</b>				
Public Works	54,700	77,500	72,573	4,927
<b>Total Expenditures</b>	<b>54,700</b>	<b>77,500</b>	<b>72,573</b>	<b>4,927</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer In	50,000	70,000	70,000	-
Excess (deficiency) of revenues over expenditures	300	(21,800)	50,496	72,296
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>147,849</b>	<b>147,849</b>	<b>147,849</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 148,149</b>	<b>\$ 126,049</b>	<b>\$ 198,345</b>	<b>\$ 72,296</b>

CITY OF PINCKNING  
Bay County, Michigan  
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM OF MICHIGAN  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>										
Services cost	\$ 14,763	\$ 13,687	\$ 12,892	\$ 11,342	\$ 10,231	\$ 18,124	\$ 16,586	\$ 16,734	\$ 20,955	\$ 31,092
Interest on the total pension liability	161,328	149,873	155,320	148,769	155,677	160,912	170,595	172,759	172,687	167,696
Experience differences	(122,486)	6,217	(79,800)	29,651	(39,935)	(58,841)	(5,822)	(104,887)	64,516	13,788
Changes in actuarial assumptions	(3,093)	13,090	-	56,678	59,290	67,260	-	-	-	95,300
Other changes	3,891	5,353	5,547	12,751	5,295	8,471	(1)	(1)	-	(230)
Benefits payments and refunds	(162,228)	(173,718)	(170,614)	(182,140)	(185,663)	(196,722)	(197,864)	(187,290)	(172,994)	(180,111)
Net change in total pension liability	(117,740)	14,502	(76,655)	87,951	4,995	(796)	(16,516)	(96,685)	85,164	127,555
Total pension liability - beginning	2,235,564	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
Total pension liability - ending (a)	\$ 2,117,824	\$ 2,235,564	\$ 2,221,062	\$ 2,297,717	\$ 2,210,666	\$ 2,205,771	\$ 2,206,567	\$ 2,223,083	\$ 2,319,768	\$ 2,234,604
<b>Plan Fiduciary Net Position</b>										
Employer contributions	97,962	\$ 215,280	\$ 96,726	\$ 88,589	\$ 71,403	\$ 72,410	\$ 67,354	\$ 51,543	\$ 68,101	\$ 52,445
Pension plan net investment income (loss)	8,720	8,169	7,744	7,364	7,392	12,411	9,124	10,599	18,539	16,444
Benefit payment and refunds	92,785	124,174	(132,197)	164,593	136,688	148,832	(47,277)	161,671	136,855	(18,997)
Pension plan administrative expense	(162,228)	(173,718)	(170,614)	(182,140)	(185,663)	(196,722)	(197,864)	(187,290)	(172,994)	(180,111)
Net change in plan fiduciary net position	(2,742)	(2,579)	(2,310)	(1,889)	(2,529)	(2,560)	(2,482)	(2,574)	(2,707)	(2,897)
Net change in plan fiduciary net position	34,497	171,326	(200,651)	76,907	27,291	34,471	(171,195)	33,949	47,794	(133,116)
Plan fiduciary net position - beginning	1,256,452	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
Plan fiduciary net position - ending (b)	1,290,949	1,256,452	1,085,126	1,285,777	1,208,870	1,181,579	1,147,108	1,318,243	1,284,294	1,236,500
Net pension liability (a-b)	\$ 826,875	\$ 979,112	\$ 1,135,936	\$ 1,011,940	\$ 1,001,796	\$ 1,024,192	\$ 1,059,459	\$ 904,840	\$ 1,035,474	\$ 998,104
Plan fiduciary net position as a percentage of total pension liability	60.95%	56.20%	48.86%	55.96%	54.68%	53.57%	51.99%	59.30%	55.36%	55.33%
Covered employee payroll	\$ 107,135	\$ 142,819	\$ 134,584	\$ 126,526	\$ 112,453	\$ 188,654	\$ 187,034	\$ 215,444	\$ 231,284	\$ 273,808
Net pension liability as a percentage of covered employee payroll	771.81%	685.56%	843.97%	799.79%	890.86%	542.89%	534.28%	414.22%	447.71%	364.53%

Notes: GASB Statement No. 68 was implemented for the fiscal year ended December 31, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available

CITY OF PINCONNING  
Saginaw County, Michigan

MUNICIPAL EMPLOYEES RETIREMENT SYSTEMS OF MICHIGAN  
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
June 30, 2025

Actuarial Valuation Date	Annual Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
12/31/2015	\$ 52,445	\$ 52,445	\$ -	\$ 260,761	20.11%
12/31/2016	68,101	68,101	-	273,808	24.87%
12/31/2017	51,543	51,543	-	231,284	22.29%
12/31/2018	67,354	67,354	-	218,444	30.83%
12/31/2019	72,410	72,410	-	167,034	43.35%
12/31/2020	71,402	71,402	-	188,654	37.85%
12/31/2021	88,989	88,989	-	112,453	79.13%
12/31/2022	96,726	96,726	-	126,526	76.45%
12/31/2023	215,306	215,306	-	142,819	150.75%
12/31/2024	\$ 97,962	\$ 97,962	\$ -	107,135	91.44%

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

\*\* Notes: Actuarially determined contribution amounts 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	Individual entry-age
Amortization method	Level-dollar closed
Remaining amortization period	10 years
Asset valuation method	5-year smoothed value of assets
Inflation	2.50%
Salary Increases	3.00%
Investment rate of return	7.00% (7.35% through 2021, 7.75 for 2019)
Retirement age	Varies depending on plan adoption
Mortality	50% female/50% male RE-2019 mortality table

OTHER SUPPLEMENTARY INFORMATION

CITY OF PINCONNING  
Bay County, Michigan

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET

For the Year ended June 30, 2025

		Special Revenue Funds
		Community Event Fund
<b>Assets:</b>		
Cash and cash equivalents	\$	2,011
Total Assets		2,011
<b>Fund Balances</b>		
Restricted for:		
Community events		2,011
Unassigned (deficit)		-
Total Fund Balances		2,011
<b>Total liabilities, deferred inflows of resources, and fund balances</b>		
	\$	2,011

CITY OF PINCONNING  
Bay County, Michigan

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2025

	Community Event Fund
<b>REVENUES:</b>	
Local contributions	\$ 2,050
Total Revenues	<u>2,050</u>
<b>EXPENDITURES:</b>	
Current	
Economic development	<u>39</u>
Total Expenditures	<u>39</u>
Excess (deficiency) of revenues over expenditures	<u>2,011</u>
NET CHANGE IN FUND BALANCE	2,011
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,011</u></u>

CITY OF PINCONNING  
Bay County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL  
For the Year Ended June 30, 2025

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes	\$ 85,579	\$ 94,717	\$ 86,004	\$ (8,713)
Interest Income	900	500	585	85
Other revenue	7,730	6,000	5,435	(565)
<b>Total revenues</b>	<b>94,209</b>	<b>101,217</b>	<b>92,024</b>	<b>(9,193)</b>
<b>EXPENDITURES:</b>				
Current				
Community and economic development	94,209	101,217	101,270	(53)
<b>Total expenditures</b>	<b>94,209</b>	<b>101,217</b>	<b>101,270</b>	<b>(53)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(9,246)</b>	<b>(9,246)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>72,201</b>	<b>72,201</b>	<b>72,201</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 72,201</b>	<b>\$ 72,201</b>	<b>\$ 62,955</b>	<b>\$ (9,246)</b>

City of Pinconning  
Bay County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY FUND  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2025

**Net change in fund balances - Total component unit funds** \$ (9,246)

Total change in net position reported for component unit activities  
are different because:

Component unit funds report capital outlays as expenditures. However, in the statement of activities the cost of those  
assets are allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (2,118)

**Change in net position of component unit activities** \$ (11,364)

CITY OF PINCONNING  
Bay County, Michigan

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE REFUNDING BONDS 2022  
 SCHEDULE OF INDEBTEDNESS  
June 30, 2025

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

Date	June 1		December 1		Total
	Principal	Interest	Interest Only		
2026	\$ 119,000	\$ 31,789	\$ 29,320	\$ 180,109	
2027	124,000	29,320	26,747	180,067	
2028	128,000	26,747	24,091	178,838	
2029	136,000	24,091	21,269	181,360	
2030	143,000	21,269	18,302	182,570	
2031	147,000	18,302	15,251	180,553	
2032	157,000	15,251	11,994	184,245	
2033	156,000	11,994	8,757	176,750	
2034	166,000	8,757	5,312	180,069	
2035	176,000	5,312	1,660	182,972	
2036	40,000	1,660	830	42,490	
2037	40,000	830	-	40,830	
	<u>\$ 1,532,000</u>	<u>\$ 195,320</u>	<u>\$ 163,531</u>	<u>\$ 1,890,851</u>	



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**CERTIFIED PUBLIC ACCOUNTANTS**

*Partners:*  
Timothy J. Quast, C.P.A.  
David G. Gwizdala, C.P.A.  
Robert B. Friske, C.P.A.

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

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

To Management and the City Council  
City of Pinconning  
Saginaw, Michigan

We have audited, 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, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Pinconning, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Pinconning's basic financial statements and have issued our report thereon dated December 8, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Pinconning's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Pinconning's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 questioned cost as item 2025-001, that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **City of Pinconning's Response to Findings**

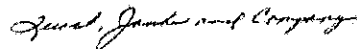
Government Auditing Standards requires the auditor to perform limited procedures on City of Pinconning's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Pinconning's response was not subjected to the other auditing procedures 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

Quast, Janke and Company



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Bay City, Michigan  
December 8, 2025

City of Pinconning  
Bay County, Michigan

SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2025

**Financial Statement Audit Findings**

**2025 - 001, Material Weakness - Preparation of Financial Statements (Repeated from prior year)**

**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).

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

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

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

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

**Action Taken** - Management is in agreement that the drafted financial statements should be reviewed by multiple staff members to ensure they are stated correctly before finalizing the statements.