

**CITY OF BRONSON
BRANCH COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2018

CITY OF BRONSON
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Bronson, Michigan

Norman & Paulsen, P.C.
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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bronson, Michigan, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Bruce S. A. Gosling, CPA, CVA
Ricky L. Strawser, CPA

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bronson, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that *management's discussion and analysis, budgetary comparison information, and the schedules for the pension benefit plan*, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Bronson's basic financial statements. The additional supplementary information, as identified in the table of contents is presented for the purpose of additional analysis and is 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 audits 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 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the City of Bronson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bronson's internal control over financial reporting and compliance.

November 30, 2018

Norman & Paulson, P.C.

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CITY OF BRONSON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Bronson financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's financial statements.

Financial Highlights

The City's overall financial position increased by \$279,415 during the fiscal year ended June 30, 2018, which represents 4.6 percent of the net position at the beginning of the year. Included in the City's total net position of \$6,338,424 are the Sewage Disposal System Fund net position of \$2,389,007 and the Water Supply System Fund net position of \$1,509,154. The Sewage Disposal System's net position decreased by \$36,059 and the Water Supply System's net position decreased by \$10,883.

The City's Governmental Funds reflected a total fund balance at June 30, 2018 of \$1,264,327, which was an increase of \$297,483 from the prior year end.

The total Governmental Fund expenditures for the year ended June 30, 2018, amounted to \$1,305,485, of which \$477,506 (37 percent) was for public safety and \$323,874 (25 percent) was for public works and streets.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

CITY OF BRONSON

MANAGEMENT’S DISCUSSION AND ANALYSIS

The City as a Whole

The following table shows, in a condensed format, the net position as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2018	2017	2018	2017
Assets	\$ 1,355	\$ 1,080	\$ 4,571	\$ 4,663
Deferred Outflows of Resources	-	-	101	80
Liabilities	60	91	724	783
Deferred Inflows of Resources	31	22	50	15
Fund Equity				
Invested in capital assets, net of related debt	-	-	2,443	2,631
Retained Earnings				
Restricted	-	-	30	31
Unreserved	-	-	1,425	1,283
Fund Balances				
Nonspendable	39	41	-	-
Restricted	323	220	-	-
Committed	149	119	-	-
Unassigned	753	587	-	-
Total Fund Equity	\$ 1,264	\$ 967	\$ 3,898	\$ 3,945

CITY OF BRONSON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's governmental fund equity increased by 30.8 percent or \$297,483 from a year ago. In contrast the prior year's governmental fund equity increased by 38.6 percent or \$269,353.

The City's enterprise fund equity decreased by 1.2 percent or \$46,942 from a year ago. In contrast the prior year's enterprise fund equity decreased by 2.7 percent or \$108,139.

The following table shows, in a condensed format, the net position of the current year compared to the prior year as required by GASB 34 stated under the full accrual basis.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Current and other assets	\$ 1,711	\$ 1,388	\$ 1,810	\$ 1,668
Capital assets	1,222	1,311	2,761	2,967
Total assets	2,933	2,699	4,571	4,635
Deferred pension amounts	150	123	100	80
Total deferred outflows of resources	150	123	100	80
Long-term debt outstanding	-	-	318	336
Net pension liability	504	565	339	368
Other liabilities	64	120	66	51
Total liabilities	568	685	723	755
Deferred pension amounts	75	23	50	15
Total deferred inflows of resources	75	23	50	15
Net position				
Invested in capital assets, net of related debt	1,222	1,311	2,443	2,631
Restricted	328	177	30	31
Unrestricted	890	626	1,425	1,283
Total net position	\$ 2,440	\$ 2,114	\$ 3,898	\$ 3,945

CITY OF BRONSON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net position during the current year as compared to the prior year, under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2018	2017	2018	2017
Revenue				
Property taxes	\$ 536	\$ 639	\$ 34	\$ 40
Licenses and permits	12	12	-	-
Intergovernmental	817	524	-	-
Charges for services	200	191	654	625
Fines and forfeits	19	21	-	-
Grants	-	-	30	-
Other	19	61	30	26
Loan proceeds	-	-	-	-
Total revenue	1,603	1,448	748	691
Program expenses				
General government	408	308	-	-
Public safety	478	485	-	-
Public works	145	141	-	-
Parks and recreation	64	101	-	-
Highways and streets	179	122	-	-
Community development	32	21	-	-
Debt service	-	-	-	-
Sewer system	-	-	370	378
Water system	-	-	194	199
Depreciation	-	-	214	204
Interest expense	-	-	17	18
Total expenses	1,306	1,178	795	799
Excess (deficit)	\$ 297	\$ 270	\$ (47)	\$ (108)

CITY OF BRONSON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the changes in net position during the current year as compared to the prior year as required by GASB 34 stated under the full accrual basis of accounting.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Revenues				
Program revenues				
Charges for services	\$ 280	\$ 254	\$ 654	\$ 625
Operating grants and contributions	276	265	28	-
Capital grants and contributions	-	369	2	-
General revenues				
Property taxes	536	639	34	40
State shared revenues	541	309	-	-
Unrestricted investment earnings	9	4	14	6
Miscellaneous	2	10	16	20
Gain (loss) on disposal of fixed assets	12	18	-	-
Total revenues	1,656	1,868	748	691
Expenses				
General government	514	459	-	-
Public safety	428	477	-	-
Public works	303	258	-	-
Parks and recreation	85	102	-	-
Interest on long-term debt	-	-	-	-
Sewer system	-	-	524	533
Water system	-	-	271	266
Total expenses	1,330	1,296	795	799
Change in net position	\$ 326	\$ 572	\$ (47)	\$ (108)

The City's Funds

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. Major funds for the fiscal year ended June 30, 2018 include the General Fund.

The General fund pays for most of the City's governmental services. The primary services include police and fire services, and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

CITY OF BRONSON

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

As shown in the required supplemental information, the City budgeted a decrease of \$8,433 in the original budget and an increase of \$168,818 in the amended budget. Actual operating results ended up as an increase of \$168,768.

The actual results ended the fiscal year within \$50 of the amended budget.

Capital Assets and Debt Administration

During the year ended June 30, 2018, the total assets of the City increased by \$14,510. Additional detail relating to the asset additions follows:

The Sewage Disposal System capital assets increased by \$7,927, of which \$2,500 was funded by grants and the balance was funded internally.

The Motor Pool capital assets increased by \$6,583, which was funded internally.

During the year ended June 30, 2018, the City incurred no additional long-term debt borrowings and made principal payments of \$18,000. Total debt obligations at June 30, 2018, amounted to \$318,000.

Economic Factors and Next Year's Budgets and Rates

Government-wide, budget deficits are anticipated due to a reduction in state revenue sharing. The 2018-2019 budget was adopted with a \$84,000 projected estimated deficit of revenues under expenditures in the government-type funds, to break even in the business-type funds and a \$10,000 projected estimated deficit of revenues under expenditures in the internal service fund.

Property tax revenue and investment income are projected to increase. State revenue sharing is expected to see large decreases over the prior year. Act 51 Gas Tax revenue continues to fall short of the funding necessary for street maintenance. The General Fund continues to make up the shortfall for street maintenance in the Major and Local Street Funds.

Water and Sewer rates continue to be revised annually to reflect the required cash flow to run an effective water supply and wastewater treatment system. To maintain the integrity of the City's Water and Sewer Systems a capital improvement plan was developed.

City Staff are dedicated to maintaining a high level of service for our citizens. We will continue to do our best while working with a smaller revenue stream.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BRONSON

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,265,085	\$ 985,820	\$ 2,250,905
Investments	293,800	674,200	968,000
Receivables, net	71,105	101,831	172,936
Internal balances	-	-	-
Prepaid and other assets	50,245	17,850	68,095
Restricted assets	-	30,067	30,067
Loans receivable, net	30,686	-	30,686
Capital assets, net	<u>1,221,863</u>	<u>2,761,122</u>	<u>3,982,985</u>
Total assets	2,932,784	4,570,890	7,503,674
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension amounts	149,666	100,766	250,432
LIABILITIES			
Accounts payable	26,288	29,420	55,708
Accrued and other liabilities	15,779	36,574	52,353
Debt obligations:			
Due within one year	-	18,000	18,000
Due in more than one year	-	300,000	300,000
Compensated absences	21,600	-	21,600
Net pension liability	<u>503,847</u>	<u>339,226</u>	<u>843,073</u>
Total liabilities	567,514	723,220	1,290,734
DEFERRED INFLOWS OF RESOURCES			
Deferred pension amounts	<u>74,673</u>	<u>50,275</u>	<u>124,948</u>
NET POSITION			
Invested in capital assets, net of related debt	1,221,863	2,443,122	3,664,985
Restricted for:			
Public safety	23,394	-	23,394
Streets	304,674	-	304,674
Debt service	-	30,067	30,067
Unrestricted	<u>890,332</u>	<u>1,424,972</u>	<u>2,315,304</u>
Total net position	<u>\$ 2,440,263</u>	<u>\$ 3,898,161</u>	<u>\$ 6,338,424</u>

See accompanying notes to financial statements

CITY OF BRONSON

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 514,120	\$ 256,457	\$ -	\$ -
Public safety	428,033	21,622	-	-
Public works	303,450	-	276,227	-
Parks and recreation	85,108	1,980	-	-
Total governmental activities	1,330,711	280,059	276,227	-
Business-type activities:				
Sanitary sewer	523,788	405,577	27,811	2,500
Water	270,704	248,222	-	-
Total business-type activities	794,492	653,799	27,811	2,500
Total primary government	\$ 2,125,203	\$ 933,858	\$ 304,038	\$ 2,500

General revenues:

- Property taxes
- State shared revenues
- Unrestricted investment earnings
- Miscellaneous
- Gain (loss) on disposal of fixed assets

Total general revenues

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (257,663)	\$ -	\$ (257,663)
(406,411)	-	(406,411)
(27,223)	-	(27,223)
<u>(83,128)</u>	<u>-</u>	<u>(83,128)</u>
(774,425)	-	(774,425)
-	(87,900)	(87,900)
<u>-</u>	<u>(22,482)</u>	<u>(22,482)</u>
<u>-</u>	<u>(110,382)</u>	<u>(110,382)</u>
(774,425)	(110,382)	(884,807)
536,397	33,730	570,127
540,601	-	540,601
9,116	14,081	23,197
2,276	15,629	17,905
<u>12,392</u>	<u>-</u>	<u>12,392</u>
<u>1,100,782</u>	<u>63,440</u>	<u>1,164,222</u>
326,357	(46,942)	279,415
<u>2,113,906</u>	<u>3,945,103</u>	<u>6,059,009</u>
<u>\$ 2,440,263</u>	<u>\$ 3,898,161</u>	<u>\$ 6,338,424</u>

FUND FINANCIAL STATEMENTS

CITY OF BRONSON

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 471,463	\$ 427,442	\$ 898,905
Investments	293,800	-	293,800
Accounts receivable	26,471	600	27,071
Due from other funds	20,763	-	20,763
Due from other governments	-	44,034	44,034
Prepaid and other assets	34,014	5,252	39,266
Loans receivable	<u>-</u>	<u>30,686</u>	<u>30,686</u>
Total assets	<u>\$ 846,511</u>	<u>\$ 508,014</u>	<u>\$ 1,354,525</u>
LIABILITIES			
Accounts payable	\$ 21,455	\$ 1,665	\$ 23,120
Accrued and other liabilities	14,279	1,350	15,629
Due to other funds	<u>-</u>	<u>20,763</u>	<u>20,763</u>
Total liabilities	35,734	23,778	59,512
DEFERRED INFLOWS OF RESOURCES			
Unavailable rehab project revenues	-	30,686	30,686
FUND BALANCE			
Nonspendable:			
Prepaid expenditures	34,014	5,252	39,266
Restricted for:			
Public safety	23,394	-	23,394
Streets	-	299,865	299,865
Committed for:			
Fire protection equipment	-	69,078	69,078
Cemetery	-	45,484	45,484
Community development	-	33,871	33,871
Unassigned	<u>753,369</u>	<u>-</u>	<u>753,369</u>
Total fund balance	<u>810,777</u>	<u>453,550</u>	<u>1,264,327</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 846,511</u>	<u>\$ 508,014</u>	<u>\$ 1,354,525</u>

See accompanying notes to financial statements

CITY OF BRONSON

**GOVERNMENTAL FUNDS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018**

Total governmental fund balances \$ 1,264,327

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 funds.

Governmental capital assets	\$ 2,493,526	
Less accumulated depreciation	<u>(1,456,251)</u>	1,037,275

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current expenditures. These assets are offset by unavailable revenues in the governmental funds and, therefore, not included in fund balance.

Deferred long-term receivables		30,686
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences		(21,600)
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Certain pension-related amounts, such as net pension liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Deferred outflows related to the net pension liability		149,666
Net pension liability		(503,847)
Deferred inflows related to the net pension liability		(74,673)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.

Net position of the internal service funds		<u>558,429</u>
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Net position of governmental activities \$ 2,440,263

See accompanying notes to financial statements

CITY OF BRONSON

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 510,261	\$ 26,136	\$ 536,397
Licenses and permits	12,509	-	12,509
Intergovernmental	540,601	276,227	816,828
Charges for services	191,812	7,751	199,563
Fines and forfeits	18,812	-	18,812
Miscellaneous	<u>6,624</u>	<u>12,235</u>	<u>18,859</u>
 Total revenues	 1,280,619	 322,349	 1,602,968
EXPENDITURES			
General government	407,761	-	407,761
Public safety	477,506	-	477,506
Public works	145,432	-	145,432
Parks and recreation	64,152	-	64,152
Highways and streets	-	178,442	178,442
Community enrichment, development and services	<u>-</u>	<u>32,192</u>	<u>32,192</u>
 Total expenditures	 <u>1,094,851</u>	 <u>210,634</u>	 <u>1,305,485</u>
 Excess (deficiency) of revenues over expenditures	 185,768	 111,715	 297,483
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	62,000	62,000
Operating transfers out	<u>(17,000)</u>	<u>(45,000)</u>	<u>(62,000)</u>
 Total other financing sources (uses)	 <u>(17,000)</u>	 <u>17,000</u>	 <u>-</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other uses	 168,768	 128,715	 297,483
 FUND BALANCE - Beginning of year	 <u>642,009</u>	 <u>324,835</u>	 <u>966,844</u>
 FUND BALANCE - End of year	 <u>\$ 810,777</u>	 <u>\$ 453,550</u>	 <u>\$ 1,264,327</u>

See accompanying notes to financial statements

CITY OF BRONSON

**GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds \$ 297,483

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Contributed capital assets	-
Expenditures for capital assets	-
Depreciation expense	(50,483)

Revenues in the statements of activities that do not provide current resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Change in rehab projects receivables	8,863
Gain (loss) on disposal of fixed assets	-

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in the accrual for compensated absences	700
Change in the net pension liability and related deferred amounts	36,534

Internal service funds are used by management to charge the cost of certain services to individual governmental and business-type funds. The net revenue (expense) of the internal service funds are allocated to governmental and business-type activities.

Net change from internal service funds related to governmental activities	<u>33,260</u>
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Change in net position of governmental activities \$ 326,357

See accompanying notes to financial statements

CITY OF BRONSON

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Sewage Disposal System <u>Fund</u>	Water Supply System <u>Fund</u>	<u>Total</u>	Motor Pool Internal Service <u>Fund</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 408,556	\$ 577,264	\$ 985,820	\$ 366,180
Investments	524,200	150,000	674,200	-
Accounts receivable	63,768	38,063	101,831	-
Due from other funds	-	-	-	-
Prepaid and other assets	<u>12,781</u>	<u>5,069</u>	<u>17,850</u>	<u>10,979</u>
Total current assets	1,009,305	770,396	1,779,701	377,159
NONCURRENT ASSETS				
Restricted assets	30,067	-	30,067	-
Capital assets, net of depreciation	<u>1,877,812</u>	<u>883,310</u>	<u>2,761,122</u>	<u>184,588</u>
Total noncurrent assets	<u>1,907,879</u>	<u>883,310</u>	<u>2,791,189</u>	<u>184,588</u>
Total assets	2,917,184	1,653,706	4,570,890	561,747
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	61,292	39,474	100,766	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	12,054	17,366	29,420	3,168
Accrued and other liabilities	22,498	14,076	36,574	150
Current portion of long-term debt	18,000	-	18,000	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	52,552	31,442	83,994	3,318
NONCURRENT LIABILITIES				
Long-term debt, net of current portion	300,000	-	300,000	-
Net pension liability	<u>206,337</u>	<u>132,889</u>	<u>339,226</u>	<u>-</u>
Total noncurrent liabilities	<u>506,337</u>	<u>132,889</u>	<u>639,226</u>	<u>-</u>
Total liabilities	558,889	164,331	723,220	3,318
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	<u>30,580</u>	<u>19,695</u>	<u>50,275</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of related debt	1,559,812	883,310	2,443,122	184,588
Restricted for debt service	30,067	-	30,067	-
Unrestricted	<u>799,128</u>	<u>625,844</u>	<u>1,424,972</u>	<u>373,841</u>
Total net position	<u>\$ 2,389,007</u>	<u>\$ 1,509,154</u>	<u>\$ 3,898,161</u>	<u>\$ 558,429</u>

See accompanying notes to financial statements

CITY OF BRONSON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

	Sewage Disposal System <u>Fund</u>	Water Supply System <u>Fund</u>	<u>Total</u>	Motor Pool Internal Service <u>Fund</u>
OPERATING REVENUE				
Charges for services	\$ 405,577	\$ 248,222	\$ 653,799	\$ 127,144
OPERATING EXPENSES				
Operating and administrative	369,974	193,733	563,707	64,170
Depreciation	<u>137,014</u>	<u>76,971</u>	<u>213,985</u>	<u>44,812</u>
Total operating expenses	<u>506,988</u>	<u>270,704</u>	<u>777,692</u>	<u>108,982</u>
OPERATING INCOME (LOSS)	(101,411)	(22,482)	(123,893)	18,162
NONOPERATING REVENUE (EXPENSES)				
Property taxes	33,730	-	33,730	-
Grants	27,811	-	27,811	-
Investment income	7,912	6,169	14,081	2,706
Other revenue	10,199	5,430	15,629	12,392
Interest expense	<u>(16,800)</u>	<u>-</u>	<u>(16,800)</u>	<u>-</u>
Total nonoperating revenue (expense)	62,852	11,599	74,451	15,098
CAPITAL CONTRIBUTIONS	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
CHANGE IN NET POSITION	(36,059)	(10,883)	(46,942)	33,260
NET POSITION - BEGINNING OF YEAR	<u>2,425,066</u>	<u>1,520,037</u>	<u>3,945,103</u>	<u>525,169</u>
NET POSITION - ENDING OF YEAR	<u>\$ 2,389,007</u>	<u>\$ 1,509,154</u>	<u>\$ 3,898,161</u>	<u>\$ 558,429</u>

See accompanying notes to financial statements

**CITY OF BRONSON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2018**

	Sewage Disposal System <u>Fund</u>	Water Supply System <u>Fund</u>	<u>Total</u>	Motor Pool Internal Service <u>Fund</u>
Cash flows from operating activities				
Receipts from customers	\$ 404,276	\$ 247,352	\$ 651,628	\$ -
Receipts for internal services	-	-	-	127,144
Payments to employees and suppliers	<u>(376,718)</u>	<u>(212,544)</u>	<u>(589,262)</u>	<u>(86,401)</u>
Net cash provided (used) by operating activities	27,558	34,808	62,366	40,743
Cash flows from non-capital financing activities				
Grant receipts	27,811	-	27,811	-
Other receipts	<u>10,199</u>	<u>5,430</u>	<u>15,629</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities	38,010	5,430	43,440	-
Cash flows from capital and related financing activities				
Property taxes	33,730	-	33,730	-
Principal paid on debt	(18,000)	-	(18,000)	-
Interest paid on debt	(16,800)	-	(16,800)	-
Acquisition of capital assets	(7,927)	-	(7,927)	(6,583)
Proceeds from sale of assets	-	-	-	12,392
Receipts from capital grants/contributions	<u>2,500</u>	<u>-</u>	<u>2,500</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	(6,497)	-	(6,497)	5,809
Cash flows from investing activities				
Interest received on investments	7,912	6,169	14,081	2,706
Purchase of investments	(524,200)	(250,000)	(774,200)	-
Proceeds from maturity of investments	<u>524,200</u>	<u>250,000</u>	<u>774,200</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>7,912</u>	<u>6,169</u>	<u>14,081</u>	<u>2,706</u>
Net increase (decrease) in cash	66,983	46,407	113,390	49,258
Cash and Cash Equivalents - Beginning of Year	<u>371,640</u>	<u>530,857</u>	<u>902,497</u>	<u>316,922</u>
Cash and Cash Equivalents - End of Year	<u>\$ 438,623</u>	<u>\$ 577,264</u>	<u>\$ 1,015,887</u>	<u>\$ 366,180</u>

See accompanying notes to financial statements

**CITY OF BRONSON
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS - Continued
 YEAR ENDED JUNE 30, 2018**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Fund</u>
Balance sheet classification of cash and cash equivalents				
Cash and cash equivalents	\$ 408,556	\$ 577,264	\$ 985,820	\$ 366,180
Restricted assets	<u>30,067</u>	<u>-</u>	<u>30,067</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 438,623</u>	<u>\$ 577,264</u>	<u>\$ 1,015,887</u>	<u>\$ 366,180</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (101,411)	\$ (22,482)	\$ (123,893)	\$ 18,162
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	137,014	76,971	213,985	44,812
(Increase) decrease in:				
Accounts receivable	(1,301)	(870)	(2,171)	-
Due from other funds	947	422	1,369	43
Other current assets	180	274	454	(2,224)
Deferred outflows related to pensions	(12,784)	(7,903)	(20,687)	-
Increase (decrease) in:				
Accounts payable	(2,301)	13,696	11,395	(4,168)
Accrued liabilities	2,349	1,429	3,778	-
Due to other funds	-	(28,288)	(28,288)	(15,882)
Net pension liability	(16,543)	(12,166)	(28,709)	-
Deferred inflows related to pensions	<u>21,408</u>	<u>13,725</u>	<u>35,133</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>\$ 27,558</u>	<u>\$ 34,808</u>	<u>\$ 62,366</u>	<u>\$ 40,743</u>

See accompanying notes to financial statements

**CITY OF BRONSON
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 205</u>
LIABILITIES	
Due to other governmental units	<u>\$ 205</u>

See accompanying notes to financial statements

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bronson is incorporated under the provisions of the Home Rule Act of the State of Michigan. The City of Bronson operates under a Council - Manager form of government and provides the following services as authorized by its charter: Public safety (police, fire, and inspections), highways and streets, public utilities, sanitation, health and social services, culture, parks and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Bronson conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies establishing GAAP and used by the City are discussed below.

Reporting Entity

As required by generally accepted accounting principles these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. There are no component units to be included in these financial statements.

Joint Venture - The City of Bronson participates with the Township of Batavia, the Township of Bethel, the Township of Bronson, the Township of Gilead, the Township of Mattson, and the Township of Noble in the Bronson Area Fire Association, a joint venture pursuant to an agreement entered into between the seven parties. The Association is governed by a fourteen-member board, two members are appointed by each participating municipality. In accordance with GASB 61, the Association is not considered to be a component unit of the City. The City contributed \$31,370 to the Association for operations. Complete financial statements for the Association can be obtained from the City office.

Basis of Accounting - Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling-up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major funds:

General Fund - The general fund is the general operating fund of the City. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Enterprise Funds

Water Supply System Fund - To account for user charges and for operating expenses and debt service of the City's water system.

Sewage Disposal System Fund - To account for user charges and for operating expenses and debt service of the City's sewer system.

The following is a description of three major categories and various fund types within those categories into which the funds are grouped:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following is a description of the governmental fund types of the City:

General Fund - The general fund is the general operating fund of the City. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary 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 principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund types of the City:

Enterprise Funds - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Internal Service Funds - Internal service funds are used to record the financing of goods or services provided by the City to other departments and funds or to other governmental units on a cost reimbursement basis.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The following is a description of the proprietary fund types of the City: continued

Fiduciary Funds (Not Included in Government-Wide Financial Statements) - 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.

Agency Funds - Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The City adopts its budget in accordance with City Charter and Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- * Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted at the City hall to obtain public comments.
- * Budget transfers between appropriation centers or changes to appropriation center totals require formal amendment by the City Council. Budgets for the current year are carefully reviewed throughout the year for any revisions of estimates. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- * All budget appropriations lapse at the end of the year.
- * Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government of federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include 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.

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due 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".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes attach as enforceable liens on property as of December 31. Taxes are levied on July 1 of the following year and are payable from the date of levy through August 15. Taxes are recognized as revenue (and become available for appropriation) in the fiscal year of the levy date. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of all the taxes and remittance of them to the other taxing authorities are accounted for in the current tax fund.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Cash and Cash Equivalents - Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets and Depreciation - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns 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 one year. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Land improvements	15–40
Streets	15–20
Utility systems	30–50
Buildings and improvements	15–50
Machinery and equipment	5–20
Vehicles	2–7
Furniture and other	3–7

Deferred Outflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category, pension related deferred outflows. The government-wide statements and proprietary funds report pension-related deferred outflows from the difference between projected and actual investment earnings of the pension plan, changes in assumptions, and City contributions made after the measurement date of the net pension liability.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations - In the government-wide financial statements and the 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 assets. 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. Bond issuance costs are expensed when incurred.

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.

Compensated Absences - City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. The City follows the accounting and reporting principles outlined in GASB 16, with regard to employee vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources while the proprietary funds report the liability as it is incurred.

Deferred Inflows of Resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from rehab project loans receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Propriety Funds and the Government wide Statement of Net Position reports deferred inflows of resources related to pension liability related items that are yet to be recognized in relation to the pension actuarial calculation.

Property Taxes - The City's property taxes are levied as an enforceable lien on property as of December 31. The related property taxes are billed on the following July 1 and are payable without penalty through September 14. Real property taxes not collected as of March 1 are turned over to Branch County for collection. The City's property taxes levied on July 1 provide the revenue for the current fiscal year.

The assessed and state equalized taxable value of real and personal property located in the City totaled \$29,992,339. The City's general operating levy for the year was based on a millage rate of 16.9482, and the City's debt service levy for the year was based on a millage rate of 1.1260.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Net Position and Fund Equity - The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balance" on governmental fund statements. Net Position is classified as "Invested in Capital Assets, Net of Related Debt," legally "Restricted" for specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are a) not in a spendable form or b) legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purpose because of the City Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purpose determined by a formal action by City Council ordinance or resolution. These amounts can not be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

Assigned - Amounts that are designated by the Manager for a particular purpose but are not spendable until a budget ordinance is passed by the City Council.

Unassigned - Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Restricted Resources - When an expense is incurred that can be paid using restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City's deposits and investments are included on the balance sheet under the following classifications:

	<u>Primary Government</u>
Statement of Net Position:	
Cash and cash equivalents	\$ 2,250,905
Investments	968,000
Restricted assets	30,067
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>205</u>
Total	<u>\$ 3,249,177</u>
Deposits and Investments:	
Bank deposits (checking accounts and savings accounts)	\$ 774,908
Money market	406,019
Certificates of deposit	2,068,000
Cash on hand	<u>250</u>
Total	<u>\$ 3,249,177</u>

Custodial Credit Risk for Deposits - This is the risk that in the event of a financial institution failure, the City's deposits may not be recovered. The deposits of the City were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$3,258,486. Of that amount, approximately \$2,218,025 was covered by federal depository insurance and \$1,040,461 was uninsured and uncollateralized.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution it deposits City Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City’s investment policy does not have specific limits in excess of state law on investment credit risk.

Interest Rate Risk - Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates are as follows:

<u>Maturity</u>	<u>Certificates of Deposit</u>
Less than 1 Year	\$ 1,485,000
1 - 5 years	583,000
Over 5 Years	-
Total certificates of deposit	2,068,000
Less certificates of deposit meeting the definition of cash and cash equivalents	(1,100,000)
Total investments	\$ 968,000

NOTE 3 - RECEIVABLES

Receivables in the governmental activities are 62 percent due from other governments and 38 percent accounts receivable. Business-type activities receivables are 100 percent due from customers.

Accounts receivable in the governmental activities and the business-type activities are reported net of an allowance for uncollectible accounts of \$-0-.

CITY OF BRONSON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables consisted of the following at June 30, 2018:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ <u>20,763</u>	Major Street	\$ 15,354
		Local Street	<u>5,409</u>
Total	\$ <u><u>20,763</u></u>		\$ <u><u>20,763</u></u>

The Due From/To Other Fund balances resulted from temporary loans to cover cash short falls in a given fund and from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers consisted of the following for the year ended June 30, 2018:

<u>Transfers Fund</u>	<u>Transfers Out</u>	<u>Fund</u>	<u>In</u>
General	\$ <u>17,000</u>	Cemetery	\$ <u>17,000</u>
Major Street	<u>45,000</u>	Local Street	<u>45,000</u>
Total Primary Government	\$ <u><u>62,000</u></u>		\$ <u><u>62,000</u></u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) the transfer from the major street fund to the local street fund represents the sharing of gas and weight tax revenues; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF BRONSON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - LOANS RECEIVABLE

The City of Bronson issued loans in the community for the purpose of real estate improvements. These loans are non-interest bearing and collectible in varying monthly installments.

Loans receivable at June 30, 2018 \$ 30,686

Loans receivable are reported net of an allowance for uncollectible accounts of \$-0-

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, was as follows:

<u>Primary Government</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2018</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 424,389	\$ -	\$ -	\$ 424,389
Capital assets, being depreciated:				
Land improvements	96,344	-	-	96,344
Buildings and improvements	471,949	-	-	471,949
Machinery and equipment	934,659	6,583	45,265	895,977
Vehicles	412,349	-	-	412,349
Streets	<u>839,709</u>	<u>-</u>	<u>-</u>	<u>839,709</u>
Subtotal	2,755,010	6,583	45,265	2,716,328
Accumulated depreciation				
Land improvements	63,587	3,854	-	67,441
Buildings and improvements	331,517	9,471	-	340,988
Machinery and equipment	916,440	4,157	45,265	875,332
Vehicles	207,750	40,655	-	248,405
Streets	<u>349,530</u>	<u>37,158</u>	<u>-</u>	<u>386,688</u>
Subtotal	<u>1,868,824</u>	<u>95,295</u>	<u>45,265</u>	<u>1,918,854</u>
Net capital assets being depreciated	<u>886,186</u>			<u>797,474</u>
Net capital assets	<u>\$ 1,310,575</u>			<u>\$ 1,221,863</u>

CITY OF BRONSON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 - CAPITAL ASSETS – Continued

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance June 30, 2018</u>
Business-Type activities				
Capital assets, not being depreciated:				
Land	\$ 14,655	\$ -	\$ -	\$ 14,655
Capital assets, being depreciated:				
Sewage disposal system	5,941,116	7,927	-	5,949,043
Water supply system	<u>2,086,384</u>	<u>-</u>	<u>-</u>	<u>2,086,384</u>
Subtotal	8,027,500	7,927	-	8,035,427
Accumulated depreciation				
Sewage disposal system	3,937,217	137,014	-	4,074,231
Water supply system	<u>1,137,758</u>	<u>76,971</u>	<u>-</u>	<u>1,214,729</u>
Subtotal	<u>5,074,975</u>	<u>213,985</u>	<u>-</u>	<u>5,288,960</u>
Net capital assets being depreciated	<u>2,952,525</u>			<u>2,746,467</u>
Net capital assets	<u>\$ 2,967,180</u>			<u>\$ 2,761,122</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		Business-type activities:	
General government	\$ 45,814	Sanitary Sewer	\$ 137,014
Public safety	1,971	Water	<u>76,971</u>
Public works	41,798		
Parks and recreation	<u>5,712</u>		
Total	<u>\$ 95,295</u>	Total	<u>\$ 213,985</u>

CITY OF BRONSON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Governmental Activities					
Compensated absences	\$ 22,300	\$ -	\$ 700	\$ 21,600	\$ -
Business-Type Activities					
General obligation bonds	336,000	-	18,000	318,000	18,000
Total Primary Government Long-Term Debt	\$ 358,300	\$ -	\$ 18,700	\$ 339,600	\$ 18,000

Long-term debt payable at June 30, 2018, consisted of the following individual issues:

Governmental Activities

Long-term compensated absences \$ 21,600

Business-Type Activities

\$590,000 - 1993 Sewage Disposal System Improvement Bonds, due in
annual installments of \$5,000 to \$23,000 through April 1, 2033;
interest at 5.0% 318,000

Total Primary Government Long-Term Debt \$ 339,600

CITY OF BRONSON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - LONG-TERM DEBT - Continued

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2018 (excluding compensated absences), including both principal and interest, are as follows:

	Business-Type Activities		
	Principal	Interest	Total
2019	\$ 18,000	\$ 15,900	\$ 33,900
2020	19,000	15,000	34,000
2021	19,000	14,050	33,050
2022	20,000	13,100	33,100
2023	20,000	12,100	32,100
2024-2028	108,000	44,850	152,850
2029-2033	114,000	17,200	131,200
Total	\$ 318,000	\$ 132,200	\$ 450,200

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Description - The City participates in the Municipal Employees Retirement System (MERS) of Michigan, a defined benefit pension plan that provides certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, state-wide 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 by accessing the MERS website at www.mersofmich.com.

Benefits Provided - Pension benefits vary by division. Benefits provided include plans with multipliers of 1.50%. The vesting period is 10 years. Normal retirement age is 60 with 10 years of service. There is a second option for unreduced benefits at age 55 with 20 years of service for police officers. There is also early retirement with reduced benefits at age 50 with 25 years of service or at age 55 with 15 years of service. Final average compensation is calculated on 5 years. Member contributions range from 10.16% to 10.76%.

Employees Covered by Benefit Terms - At December 31, 2017 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	4
Active employees	12
Total employees covered by MERS	22

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN - Continued

Contributions - The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions were 8.27% based on annual payroll for open divisions.

Net Pension Liability - The employer's Net Pension Liability was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions - The total pension liability in the December 31, 2017 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	in the long-term
Investment rate of return	7.75%	net of pension plan investment expense

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent actuarial experience study covering the period from January 1, 2009, through December 31, 2013.

Discount Rate - The discount rate used to measure the total pension liability is 8.00%. 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 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.

CITY OF BRONSON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLAN - Continued

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

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 pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money- Weighted Rate of Return</u>
Domestic Equity	55.50%	6.65%	3.69%
International Equity	18.50%	1.76%	0.33%
U.S. Government or Agency Fixed Income	13.50%	7.72%	1.04%
Corporate Bonds	<u>12.50%</u>	5.50%	0.69%
	<u>100.00%</u>		
Inflation			2.00%
Administrative Expenses Netted Above			<u>0.25%</u>
Investment Rate of Return			<u>8.00%</u>

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN - Continued

Changes in Net Pension Liability

The components of the changes in net pension liability are summarized as follows:

	Total Pension Liability <u>(a)</u>	Increase (Decrease) Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at December 31, 2016	\$ 2,232,253	\$ 1,299,193	\$ 933,060
Changes for the year:			
Service cost	49,594	-	49,594
Interest	177,338	-	177,338
Changes in benefit terms	2,616	-	2,616
Differences between expected and actual experience	(46,570)	-	(46,570)
Changes in assumptions	-	-	-
Employer contributions	-	51,363	(51,363)
Employee contributions	-	49,785	(49,785)
Net investment income	-	174,574	(174,574)
Benefit payments, including refunds	(80,656)	(80,656)	-
Administrative expense	-	(2,758)	2,758
Other changes	(1)	-	(1)
Net changes	<u>102,321</u>	<u>192,308</u>	<u>(89,987)</u>
Balances at December 31, 2017	<u>\$ 2,334,574</u>	<u>\$ 1,491,501</u>	<u>\$ 843,073</u>

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 8.00% as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
City's net pension liability	\$ 1,121,630	\$ 843,073	\$ 607,535

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial Statements.

Voluntary Employer Contribution – During January 2018, the City made a voluntary additional contribution of \$100,000 to lower its net pension liability. Since the Plan operates on a calendar year basis with its most recent year ending December 31, 2017, this additional contribution is not currently shown as a reduction to the City's net pension liability, and is instead included in the deferred outflows amount. This is a timing issue and will be adjusted for during the Plan's year ending December 31, 2018, at which time it will be reported as a reduction to the City's net pension liability.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN – Continued

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

For the year ended June 30, 2018, the City recognized pension expense of \$100,338. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 51,139	\$ 80,414	\$ (29,275)
Differences between expected and actual experience	22,054	44,534	(22,480)
Changes in assumptions	52,478	-	52,478
Contributions subsequent to the measurement date	<u>124,761</u>	<u>-</u>	<u>124,761</u>
Total	<u>\$ 250,432</u>	<u>\$ 124,948</u>	<u>\$ 125,484</u>

The amount of deferred outflows of resources related to City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2019	\$ 22,563
2020	18,364
2021	(5,107)
2022	(21,792)
2023	(6,653)
2024	<u>(6,652)</u>
Total	<u>\$ 723</u>

Payable to the Pension Plan - At June 30, 2018, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

CITY OF BRONSON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 10 - 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 City has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a fund level basis.

During the year ended June 30, 2018, the City incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General government	\$ 399,661	\$ 407,761	\$ (8,100)
Public safety	477,186	477,506	(320)

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF BRONSON

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
REVENUES				
Taxes	\$ 513,366	\$ 510,220	\$ 510,261	\$ 41
Licenses and permits	11,150	12,399	12,509	110
Intergovernmental	314,115	540,428	540,601	173
Charges for services	175,041	186,727	191,812	5,085
Fines and forfeits	10,000	18,479	18,812	333
Miscellaneous	<u>2,650</u>	<u>5,500</u>	<u>6,624</u>	<u>1,124</u>
Total revenues	1,026,322	1,273,753	1,280,619	6,866
EXPENDITURES				
General government	335,646	399,661	407,761	(8,100)
Public safety	508,651	477,186	477,506	(320)
Public works	162,407	146,608	145,432	1,176
Parks and recreation	<u>56,051</u>	<u>64,480</u>	<u>64,152</u>	<u>328</u>
Total expenditures	<u>1,062,755</u>	<u>1,087,935</u>	<u>1,094,851</u>	<u>(6,916)</u>
Excess (deficiency) of revenues over expenditures	(36,433)	185,818	185,768	(50)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	35,000	-	-	-
Operating transfers out	<u>(7,000)</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>28,000</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other uses	(8,433)	168,818	168,768	(50)
FUND BALANCE - Beginning of year	<u>642,009</u>	<u>642,009</u>	<u>642,009</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 633,576</u>	<u>\$ 810,827</u>	<u>\$ 810,777</u>	<u>\$ (50)</u>

See accompanying notes to financial statements

CITY OF BRONSON

**REQUIRED SUPPLEMENTAL INFORMATION
MERS AGENT MULTIPLE-EMPLOYER
DEFINED BENEFIT PENSION PLAN**

**Schedule of Changes in the City's Net Pension Liability and Related Ratios
Last Ten Fiscal Years**

	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 49,594	\$ 48,643
Interest	177,338	172,980
Changes in benefit terms	2,616	3,881
Differences between expected and actual experience	(46,570)	(6,925)
Changes in assumptions	-	-
Benefit payments, including refunds	(80,656)	(78,638)
Other changes	<u>(1)</u>	<u>(6,292)</u>
Net change in total pension liability	102,321	133,649
Total pension liability - beginning of year	<u>2,232,253</u>	<u>2,098,604</u>
Total pension liability - end of year	<u>\$ 2,334,574</u>	<u>\$ 2,232,253</u>
PLAN FIDUCIARY NET POSITION		
Employer contributions	\$ 51,363	\$ 50,666
Employee contributions	49,785	41,651
Net investment income	174,574	133,591
Benefit of payments, including refunds	(80,656)	(78,638)
Administrative expense	<u>(2,758)</u>	<u>(2,634)</u>
Net change in plan fiduciary net position	192,308	144,636
Plan fiduciary net position - beginning of year	<u>1,299,193</u>	<u>1,154,557</u>
Plan fiduciary net position - end of year	<u>1,491,501</u>	<u>1,299,193</u>
City's net pension liability	<u>\$ 843,073</u>	<u>\$ 933,060</u>
Plan fiduciary net position as a percentage of total pension liability	63.89%	58.20%
Covered employee payroll	<u>\$ 621,433</u>	<u>\$ 600,891</u>
City's net pension liability as a percentage of covered employee payroll	135.67%	155.28%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

* Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF BRONSON

**REQUIRED SUPPLEMENTAL INFORMATION
MERS AGENT MULTIPLE-EMPLOYER
DEFINED BENEFIT PENSION PLAN**

**Schedule of Changes in the City's Net Pension Liability and Related Ratios
Last Ten Fiscal Years - Continued**

<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
\$ 37,584	\$ 42,986
153,792	143,063
(29,069)	-
44,110	-
104,954	-
(72,472)	(74,562)
<u>(1,668)</u>	<u>-</u>
237,231	111,487
<u>1,861,373</u>	<u>1,749,886</u>
<u>\$ 2,098,604</u>	<u>\$ 1,861,373</u>
\$ 43,251	\$ 38,729
37,132	36,616
(17,966)	69,909
(72,472)	(74,562)
<u>(2,591)</u>	<u>(2,573)</u>
(12,646)	68,119
<u>1,167,203</u>	<u>1,099,084</u>
<u>1,154,557</u>	<u>1,167,203</u>
<u>\$ 944,047</u>	<u>\$ 694,170</u>
55.02%	62.71%
<u>\$ 521,335</u>	<u>\$ 595,833</u>
181.08%	116.50%

CITY OF BRONSON

**REQUIRED SUPPLEMENTAL INFORMATION
MERS AGENT MULTIPLE-EMPLOYER
DEFINED BENEFIT PENSION PLAN**

**Schedule of Contributions
Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as Percentage of Covered Employee Payroll</u>
2015	\$ 38,729	\$ 38,729	\$ -	\$ 595,833	6.50%
2016	43,251	43,251	-	521,335	8.30%
2017	50,666	50,666	-	600,891	8.43%
2018	51,363	51,363	-	621,433	8.27%

* Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	50-60 years of age depending on years of credited service.
Mortality	50% female/50% male blend of RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables.
Other information	None

OTHER SUPPLEMENTAL INFORMATION

CITY OF BRONSON

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018**

	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Sinking</u>	<u>Cemetery</u>
ASSETS				
Cash and cash equivalents	\$ 200,118	\$ 78,914	\$ 69,078	\$ 25,315
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	32,564	11,470	-	-
Prepaid and other assets	2,566	2,243	-	443
Loans receivable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 235,248</u>	<u>\$ 92,627</u>	<u>\$ 69,078</u>	<u>\$ 25,758</u>
LIABILITIES				
Accounts payable	\$ 594	\$ 594	\$ -	\$ 477
Accrued and other liabilities	750	500	-	100
Due to other funds	<u>15,354</u>	<u>5,409</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	16,698	6,503	-	577
DEFERRED INFLOWS OF RESOURCES				
Unavailable rehab project revenues	-	-	-	-
FUND BALANCE				
Nonspendable:				
Prepaid expenditures	2,566	2,243	-	443
Restricted for:				
Streets	215,984	83,881	-	-
Committed for:				
Fire protection equipment	-	-	69,078	-
Cemetery	-	-	-	24,738
Community development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>218,550</u>	<u>86,124</u>	<u>69,078</u>	<u>25,181</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 235,248</u>	<u>\$ 92,627</u>	<u>\$ 69,078</u>	<u>\$ 25,758</u>

<u>Cemetery Redevelopment Fund</u>	<u>Cemetery Perpetual Care</u>	<u>Community Development Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 7,208	\$ 13,538	\$ 33,271	\$ 427,442
-	-	-	-
-	-	600	600
-	-	-	-
-	-	-	44,034
-	-	-	5,252
-	-	30,686	30,686
<u>\$ 7,208</u>	<u>\$ 13,538</u>	<u>\$ 64,557</u>	<u>\$ 508,014</u>
\$ -	\$ -	\$ -	\$ 1,665
-	-	-	1,350
-	-	-	20,763
-	-	-	23,778
-	-	30,686	30,686
-	-	-	5,252
-	-	-	299,865
-	-	-	69,078
7,208	13,538	-	45,484
-	-	33,871	33,871
<u>7,208</u>	<u>13,538</u>	<u>33,871</u>	<u>453,550</u>
<u>\$ 7,208</u>	<u>\$ 13,538</u>	<u>\$ 64,557</u>	<u>\$ 508,014</u>

CITY OF BRONSON

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Sinking</u>	<u>Cemetery</u>
REVENUES				
Taxes	\$ -	\$ -	\$ 26,136	\$ -
Intergovernmental	190,348	85,879	-	-
Charges for services	-	-	-	6,551
Miscellaneous	<u>956</u>	<u>313</u>	<u>392</u>	<u>98</u>
Total revenues	191,304	86,192	26,528	6,649
EXPENDITURES				
Highways and streets	60,869	117,573	-	-
Community enrichment, development and services	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,865</u>
Total expenditures	<u>60,869</u>	<u>117,573</u>	<u>-</u>	<u>14,865</u>
Excess (deficiency) of revenues over expenditures	130,435	(31,381)	26,528	(8,216)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	45,000	-	17,000
Operating transfers out	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(45,000)</u>	<u>45,000</u>	<u>-</u>	<u>17,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	85,435	13,619	26,528	8,784
FUND BALANCE - Beginning of year	<u>133,115</u>	<u>72,505</u>	<u>42,550</u>	<u>16,397</u>
FUND BALANCE - End of year	<u>\$ 218,550</u>	<u>\$ 86,124</u>	<u>\$ 69,078</u>	<u>\$ 25,181</u>

Cemetery Redevelopment Fund	Cemetery Perpetual Care	Community Development Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 26,136
-	-	-	276,227
-	1,200	-	7,751
<u>1,764</u>	<u>98</u>	<u>8,614</u>	<u>12,235</u>
1,764	1,298	8,614	322,349
-	-	-	178,442
<u>-</u>	<u>-</u>	<u>17,327</u>	<u>32,192</u>
<u>-</u>	<u>-</u>	<u>17,327</u>	<u>210,634</u>
1,764	1,298	(8,713)	111,715
-	-	-	62,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
1,764	1,298	(8,713)	128,715
<u>5,444</u>	<u>12,240</u>	<u>42,584</u>	<u>324,835</u>
<u>\$ 7,208</u>	<u>\$ 13,538</u>	<u>\$ 33,871</u>	<u>\$ 453,550</u>



INDEPENDENT AUDITOR'S 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 the Members of the City Council
City of Bronson, Michigan

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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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bronson (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. Given these limitations, during our audit we did identify two deficiencies in internal control that we consider to be material weaknesses. However, other material weaknesses may exist that have not been identified. We consider the deficiencies described below as 2007-1 and 2007-2 to be material weaknesses.

Bruce S. A. Gosling, CPA, CVA
Ricky L. Strawser, CPA

2007-1-Preparation of Financial Statements in Accordance with GAAP (Repeat Comment)

- 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 is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the government-wide 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 is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.
- Cause:** This condition was caused by management's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
- Effect:** As a result of this condition, the City lacks internal control over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
- View of Responsible Officials:** Management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2007-2-Segregation of Incompatible Duties (Repeat Comment)

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

Condition: As is the case with many governments of similar size, the City lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

Cause: This condition is a result of the City's limited resources and the small size of its accounting staff.

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

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

View of Responsible Officials: The City Council is aware of the risks associated with this condition, and has made the determination that given the City's resource limitations, full segregation of duties is not feasible at this time. Accordingly, the City Council will continue to review monthly information to mitigate this risk, and rely on the annual external audit to help identify and correct misstatements, as needed.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Bronson Responses to Finding

The City's responses to the findings in our audit are above. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of the Report

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

November 30, 2018

Norman & Paulsen, P.C.