

**CITY OF BRONSON
BRANCH COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council
City of Bronson, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bronson, Michigan (the "City"), as of and for the year ended June 30, 2021, 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. 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.

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

Opinions

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

Change in Accounting Principle

As stated in Note 13 to the basic financial statements, the City adopted **GASB Statement No. 84 *Fiduciary Activities*** in the fiscal year June 30, 2021, which represents a change in its policy for reporting fiduciary activities. Beginning net position of the fiduciary fund was not restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules for the pension plan, and budgetary comparison information, as listed 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 the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic

financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Sturgis, Michigan
December 13, 2021

Management's Discussion and Analysis

City of Bronson
Management's Discussion and Analysis
June 30, 2021

As management of the City of Bronson, Michigan (the "City" or "government") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. We encourage our readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,767,075 (net position). Of this amount, \$2,921,498 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,890,584, an increase of \$368,470 in comparison with the prior year. Approximately 59.6% of this amount, or \$1,125,844, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,125,844, or approximately 86.8% of total general fund expenditures and transfers out.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, deferred outflows/inflows, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and depreciation of long-term capital assets).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and recreation and cultural. The business-type activities of the City include the wastewater and water operations.

Component Unit

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Downtown Development Authority for which the City is financially accountable (see Note 1 in the financial statement footnotes for more information). Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, major street fund, and local street fund, which are considered to be major funds. Data is combined into a single aggregated presentation for the other governmental funds (nonmajor governmental funds). Individual fund

data for each of the nonmajor governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for the general fund and all special revenue funds, as required by state law. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains two separate enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprises funds to account for its wastewater and water operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City utilizes an internal service fund to account for motor pool fund costs and allocating the cost to the funds that are using the resources. Because this service primarily benefits the City's governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater and water operations, which are reported as enterprise funds. Conversely, the internal service fund is presented in the proprietary fund financial statements separately from the enterprise funds.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension information, and budgetary comparison presentations. Supplemental information follows the required pension information and includes combining and individual fund statements and schedules.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,767,075 at the close of the most recent fiscal year. The

following chart illustrates the comparison of net position at the close of each of the past two fiscal years.

City of Bronson's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 2,231,499	\$ 1,796,287	\$ 1,915,973	\$ 2,036,092	\$ 4,147,472	\$ 3,832,379
Receivables, net	77,740	97,059	121,095	167,506	198,835	264,565
Due from Other Units of Government	101,436	40,037	99,527	-	200,963	40,037
Prepaid Items	54,886	48,262	23,169	17,054	78,055	65,316
Total Current Assets	2,465,561	1,981,645	2,159,764	2,220,652	4,625,325	4,202,297
<i>Noncurrent Assets</i>						
Restricted Cash and Investments	-	-	31,541	31,382	31,541	31,382
Capital Assets, net	1,065,375	1,115,207	2,300,490	2,363,977	3,365,865	3,479,184
Total Assets	3,530,936	3,096,852	4,491,795	4,616,011	8,022,731	7,712,863
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	82,381	71,024	43,445	45,065	125,826	116,089
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	84,253	65,568	134,212	132,149	218,465	197,717
Payroll Related Liabilities	17,736	17,755	5,500	5,500	23,236	23,255
Due to Other Units of Government	618	-	-	-	618	-
Current Portion of Compensated Absences	6,195	6,255	35,316	25,915	41,511	32,170
Current Portion of Long-term Debt	-	-	20,000	19,000	20,000	19,000
Internal Balances	-	(110,445)	-	110,445	-	-
Total Current Liabilities	108,802	(20,867)	195,028	293,009	303,830	272,142
<i>Noncurrent Liabilities</i>						
Compensated Absences	33,000	31,000	-	-	33,000	31,000
Long-term Debt	-	-	242,000	262,000	242,000	262,000
Net Pension Liability	406,141	446,704	214,186	283,436	620,327	730,140
Total Liabilities	547,943	456,837	651,214	838,445	1,199,157	1,295,282
DEFERRED INFLOWS OF RESOURCES						
Pension Related	119,372	49,006	62,953	31,095	182,325	80,101
NET POSITION						
Net Investment in Capital Assets	1,065,375	1,115,207	2,038,490	2,082,977	3,103,865	3,198,184
Restricted	710,171	504,835	31,541	31,382	741,712	536,217
Unrestricted	1,170,456	1,041,991	1,751,042	1,677,177	2,921,498	2,719,168
Total Net Position	\$ 2,946,002	\$ 2,662,033	\$ 3,821,073	\$ 3,791,536	\$ 6,767,075	\$ 6,453,569

The largest portion of the City's net position of \$3,103,865, or 45.9%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$741,712, or 11.0%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,921,498, or 43.1%, is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

Cash and investments for governmental activities increased by \$435,212 being similar to the increase in governmental funds' fund balance of \$368,470. Cash and investments (including restricted cash and investments) for business-type activities decreased by \$119,960 primarily due

to cash used in non-capital and capital-related financing activities. Net pension liability for the City decreased by \$109,813 while pension-related deferred inflows of resources increased by \$102,224 because of better-than-expected rates of return on the City's pension plan assets.

The following chart presents a summary of the changes in net position for years ended June 30, 2021 and 2020:

City of Bronson's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$ 325,488	\$ 309,357	\$ 808,251	\$ 724,580	\$ 1,133,739	\$ 1,033,937
Operating Grants and Contributions	469,600	539,439	300,274	762,754	769,874	1,302,193
Capital grants and contributions	-	-	99,527	-	99,527	-
Total Program Revenues	795,088	848,796	1,208,052	1,487,334	2,003,140	2,336,130
General Revenues						
Property Taxes	564,264	557,727	32,904	34,062	597,168	591,789
Investment Income	13,076	32,200	17,529	37,101	30,605	69,301
Unrestricted State Sources	640,233	558,488	-	-	640,233	558,488
Total General Revenues	1,217,573	1,148,415	50,433	71,163	1,268,006	1,219,578
Total Revenues	2,012,661	1,997,211	1,258,485	1,558,497	3,271,146	3,555,708
Expenses						
General Government	413,285	413,633	-	-	413,285	413,633
Public Safety	526,151	559,737	-	-	526,151	559,737
Public Works	736,640	906,961	-	-	736,640	906,961
Recreation and Culture	52,556	109,538	-	-	52,556	109,538
Community and Economic Development	60	42,213	-	-	60	42,213
Wastewater Treatment	-	-	943,677	1,307,624	943,677	1,307,624
Water Treatment	-	-	285,271	273,372	285,271	273,372
Total Expenses	1,728,692	2,032,082	1,228,948	1,580,996	2,957,640	3,613,078
Change in Net Position	283,969	(34,871)	29,537	(22,499)	313,506	(57,370)
<i>Net Position at the Beginning of Period</i>	<i>2,662,033</i>	<i>2,696,904</i>	<i>3,791,536</i>	<i>3,814,035</i>	<i>6,453,569</i>	<i>6,510,939</i>
<i>Net Position at the End of Period</i>	<i>\$ 2,946,002</i>	<i>\$ 2,662,033</i>	<i>\$ 3,821,073</i>	<i>\$ 3,791,536</i>	<i>\$ 6,767,075</i>	<i>\$ 6,453,569</i>

Governmental Activities. Government activities increased the City's net position by \$283,969, compared to a decrease of \$34,871 during the prior year. Revenues were comparable with the prior year, except for a \$69,839 decrease in operating grants as the City received additional Storm Water, Asset Management, and Wastewater ("SAW") grant funding during the prior year but not the current year. Expenses decreased by \$170,321 in public works primarily as a result of the SAW grant (public works expenses were reimbursed by the SAW grant) and major and local street projects in the prior year. Unrestricted state sources increased by \$81,745 as the City received an increased amount of unrestricted state aid.

Business-type Activities. Business-type activities increased the City's net position by \$29,537, compared to a decrease of \$22,499 during the prior year. Both total revenues and total expenses decreased for the business-type activities. Revenue decreased due to decreased funds received on the SAW grant, much like the decrease in governmental activities. This was the primary reason for the overall decrease in revenues of \$300,012. Given that the SAW grant is a reimbursement grant, business-type activities incurred less expenses during the year (the SAW grant reimbursed 90% of the expense with the other 10% of the grant-related expenses being funded by the City).

This is the primary reason for the overall decrease of \$352,048 of business-type expenses during the year.

Financial Analysis of Governmental Funds

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At June 30, 2021, the City's governmental funds reported combined fund balances of \$1,890,584, an increase of \$368,470 in comparison with the prior year. Approximately 59.6% of this amount (\$1,125,844) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either restricted or committed to indicate that it is: 1) restricted for particular purposes (\$705,983, or 37.3%), 2) committed for particular purposes (\$14,806, or 0.8%), or 3) nonspendable (\$43,951, or 2.3%).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,125,844. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 86.8% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$155,436 during the current fiscal year, which is similar to the increase of \$106,558 during the prior year. The reason for the greater increase has been explained in an earlier section of this report.

The major streets fund, a major fund, had a \$83,656 increase in fund balance during the current fiscal year which put the overall fund balance at \$271,792. The increase is a result of decreased expenditures for street repair and maintenance projects during the year.

The local street fund, a major fund, had a \$78,304 increase in fund balance during the current fiscal year which put the overall fund balance at \$220,860. The increase is primarily a result of an increase in transfers in from other funds to \$200,000 from \$100,000 in the prior year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year for the wastewater fund and the water fund was \$874,322 and \$876,720, respectively. The funds increased (decreased) by \$(38,980) and \$68,517, respectively.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was one significant amendment to the original estimated revenues and no significant amendments to the original budgeted appropriations. Estimated intergovernmental revenue increased from \$315,258 to \$679,618 to account for an increase in unrestricted state aid and other grants.

Final budget compared to actual results. The City had the following expenditure in excess of the amount appropriated during the year ended June 30, 2021:

<u>Fund / Department</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
Local Streets			
Public Works	\$ 252,354	\$ 313,710	\$ (61,356)

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounted to \$3,365,865 (net of accumulated depreciation). Of this amount, \$1,065,375 was for its governmental activities and \$2,300,490 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Additional information on the City's capital assets can be found in Note 6 to the financial statements.

Long-term Debt

At the end of the current fiscal year, the City had a total long-term debt outstanding of \$262,000, all in its business-type activities. The City made principal payments of \$19,000 during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Management estimates that approximately \$1.19 million of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2021. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2022, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves at similar levels. Additionally, management and the City Council are currently working to determine the significance that the COVID-19 pandemic will have on the City's upcoming revenues.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Bronson
141 S. Matteson Street
Bronson, MI 49028

Basic Financial Statements

City of Bronson
Statement of Net Position
June 30, 2021

	Primary Government			Component Unit -
	Governmental	Business-type	Total	DDA
	Activities	Activities		
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 2,231,499	\$ 1,915,973	\$ 4,147,472	\$ 2,923
Receivables, net	77,740	121,095	198,835	--
Due from Other Units of Government	101,436	99,527	200,963	618
Prepaid Items	54,886	23,169	78,055	--
Total Current Assets	2,465,561	2,159,764	4,625,325	3,541
<i>Noncurrent Assets</i>				
Restricted Cash and Investments	--	31,541	31,541	--
Capital Assets not being Depreciated	424,389	125,241	549,630	--
Capital Assets being Depreciated, net	640,986	2,175,249	2,816,235	--
Total Assets	3,530,936	4,491,795	8,022,731	3,541
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	82,381	43,445	125,826	--
Total Deferred Outflows of Resources	82,381	43,445	125,826	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	84,253	134,212	218,465	--
Payroll Related Liabilities	17,736	5,500	23,236	--
Due to Other Units of Government	618	--	618	--
Current Portion of Compensated Absences	6,195	35,316	41,511	--
Current Portion of Long-term Debt	--	20,000	20,000	--
Total Current Liabilities	108,802	195,028	303,830	--
<i>Noncurrent Liabilities</i>				
Compensated Absences	33,000	--	33,000	--
Long-term Debt	--	242,000	242,000	--
Net Pension Liability	406,141	214,186	620,327	--
Total Liabilities	547,943	651,214	1,199,157	--
DEFERRED INFLOWS OF RESOURCES				
Pension Related	119,372	62,953	182,325	--
Total Deferred Inflows of Resources	119,372	62,953	182,325	--
NET POSITION				
Net Investment in Capital Assets	1,065,375	2,038,490	3,103,865	--
<i>Restricted for:</i>				
Debt Service	--	31,541	31,541	--
Public Safety	170,438	--	170,438	--
Streets	492,652	--	492,652	--
Cemetery Trust	47,081	--	47,081	--
<i>Unrestricted</i>	1,170,456	1,751,042	2,921,498	3,541
Total Net Position	\$ 2,946,002	\$ 3,821,073	\$ 6,767,075	\$ 3,541

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Bronson
Statement of Activities
For the year Ended June 30, 2021

		Program Revenues			Net (Expense) Revenue			
			Operating	Capital Grants	Primary Government			
Functions/Programs	Expenses	Charges for	Grants and	and	Governmental	Business-type	Total	Component
		Services	Contributions	Contributions	Activities	Activities		Unit - DDA
Primary Government								
Governmental Activities:								
General Government	\$ 413,285	\$ 109,535	\$ 6,409	\$ --	\$ (297,341)	\$ --	\$ (297,341)	\$ --
Public Safety	526,151	18,036	--	--	(508,115)	--	(508,115)	--
Public Works	736,640	195,827	463,191	--	(77,622)	--	(77,622)	--
Recreation and Culture	52,556	1,235	--	--	(51,321)	--	(51,321)	--
Community and Economic Development	60	855	--	--	795	--	795	--
Total Governmental Activities	1,728,692	325,488	469,600	--	(933,604)	--	(933,604)	--
Business-type Activities:								
Wastewater	943,677	515,521	295,190	49,763	--	(83,203)	(83,203)	--
Water	285,271	292,730	5,084	49,764	--	62,307	62,307	--
Total Business-type Activities	1,228,948	808,251	300,274	99,527	--	(20,896)	(20,896)	--
Total Primary Government	\$ 2,957,640	\$ 1,133,739	\$ 769,874	\$ 99,527	(933,604)	(20,896)	(954,500)	--
Component Unit								
Downtown Development Authority	\$ --	\$ --	\$ --	\$ --	--	--	--	--
Total Component Unit	\$ --	\$ --	\$ --	\$ --	--	--	--	--
General Purpose Revenues:								
Property Taxes					564,264	32,904	597,168	985
Investment Income					13,076	17,529	30,605	--
Unrestricted State Sources					640,233	--	640,233	--
Total General Revenues					1,217,573	50,433	1,268,006	985
Change in Net Position					283,969	29,537	313,506	985
Net Position at Beginning of Period					2,662,033	3,791,536	6,453,569	2,556
Net Position at End of Period					\$ 2,946,002	\$ 3,821,073	\$ 6,767,075	\$ 3,541

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Bronson
Balance Sheet
Governmental Funds
June 30, 2021**

	<u>Special Revenue</u>			Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>		
ASSETS					
Cash and Investments	\$ 1,147,403	\$ 203,917	\$ 246,672	\$ 217,982	\$ 1,815,974
Receivables, net	26,679	--	--	51,061	77,740
Due from Other Units of Government	--	38,221	63,215	--	101,436
Prepaid Items	39,763	1,960	1,717	511	43,951
Due from Other Funds	--	30,680	--	--	30,680
Total Assets	\$ 1,213,845	\$ 274,778	\$ 311,604	\$ 269,554	\$ 2,069,781
LIABILITIES					
Accounts Payable	\$ 16,367	\$ 2,236	\$ 59,564	\$ 1,785	\$ 79,952
Payroll Related Liabilities	16,236	750	500	100	17,586
Due to Other Units of Government	618	--	--	--	618
Due to Other Funds	--	--	30,680	--	30,680
Total Liabilities	33,221	2,986	90,744	1,885	128,836
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	--	--	--	50,361	50,361
Total Liabilities and Deferred Inflows of Resources	33,221	2,986	90,744	52,246	179,197
FUND BALANCE					
Nonspendable	39,763	1,960	1,717	511	43,951
Restricted	15,017	269,832	219,143	201,991	705,983
Committed	--	--	--	14,806	14,806
Unassigned	1,125,844	--	--	--	1,125,844
Total Fund Balance	1,180,624	271,792	220,860	217,308	1,890,584
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,213,845	\$ 274,778	\$ 311,604	\$ 269,554	\$ 2,069,781

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Bronson
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds	\$ 1,890,584
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements	599,964
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.	(39,195)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(443,132)
Unavailable revenues are not available to pay current expenditures and, therefore, are deferred inflows of resources in the funds.	50,361
General government capital assets of \$2,493,526, net of accumulated depreciation of \$1,606,106, are not financial resources and, accordingly, are not reported in the funds.	887,420
Total Net Position - Governmental Activities	\$ <u>2,946,002</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Bronson
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the year Ended June 30, 2021

	<u>Special Revenue</u>			Other	Total
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Revenues					
Property Taxes	\$ 535,857	\$ --	\$ --	\$ 28,407	\$ 564,264
Licenses and Permits	13,827	--	--	--	13,827
Intergovernmental	646,642	271,701	191,490	--	1,109,833
Charges for Services	171,023	--	--	5,702	176,725
Fines and Forfeits	14,247	--	--	--	14,247
Interest and Rentals	51,476	1,053	524	2,696	55,749
Other Revenue	15,190	--	--	18,268	33,458
Total Revenues	<u>1,448,262</u>	<u>272,754</u>	<u>192,014</u>	<u>55,073</u>	<u>1,968,103</u>
Expenditures					
General Government	388,906	--	--	19,939	408,845
Public Safety	546,160	--	--	--	546,160
Public Works	188,845	89,098	313,710	--	591,653
Recreation and Culture	52,915	--	--	--	52,915
Community and Economic Development	--	--	--	60	60
Total Expenditures	<u>1,176,826</u>	<u>89,098</u>	<u>313,710</u>	<u>19,999</u>	<u>1,599,633</u>
Excess of Revenues Over					
(Under) Expenditures	<u>271,436</u>	<u>183,656</u>	<u>(121,696)</u>	<u>35,074</u>	<u>368,470</u>
Other Financing Sources (Uses)					
Transfers In	4,000	--	200,000	26,000	230,000
Transfers Out	(120,000)	(100,000)	--	(10,000)	(230,000)
Net Other Financing Sources (Uses)	<u>(116,000)</u>	<u>(100,000)</u>	<u>200,000</u>	<u>16,000</u>	<u>--</u>
Net Change in Fund Balance	<u>155,436</u>	<u>83,656</u>	<u>78,304</u>	<u>51,074</u>	<u>368,470</u>
<i>Fund Balance at Beginning of Period</i>	1,025,188	188,136	142,556	166,234	1,522,114
Fund Balance at End of Period	<u>\$ 1,180,624</u>	<u>\$ 271,792</u>	<u>\$ 220,860</u>	<u>\$ 217,308</u>	<u>\$ 1,890,584</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Bronson
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ 368,470
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements	3,628
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(1,940)
Some receivables are long-term in nature and are collectible over several years. However, only the current receipts are reflected as revenue on the fund statements.	(18,262)
Governmental fund report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is current year depreciation expense of \$49,481.	(49,481)
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	(18,446)
Changes in Net Position - Governmental Activities	\$ <u>283,969</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Bronson
Statement of Net Position
Proprietary Funds
June 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities
	Wastewater	Water	Total Enterprise Funds	Internal Service Fund
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 967,591	\$ 948,382	\$ 1,915,973	\$ 415,525
Receivables, net	79,502	41,593	121,095	--
Due from Other Units of Government	49,763	49,764	99,527	--
Prepaid Items	15,756	7,413	23,169	10,935
Total Current Assets	1,112,612	1,047,152	2,159,764	426,460
<i>Noncurrent Assets</i>				
Restricted Cash and Investments	31,541	--	31,541	--
Capital Assets not being Depreciated	58,293	66,948	125,241	--
Capital Assets being Depreciated, net	1,510,748	664,501	2,175,249	177,955
Total Assets	2,713,194	1,778,601	4,491,795	604,415
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	27,156	16,289	43,445	--
Total Deferred Outflows of Resources	27,156	16,289	43,445	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	65,849	68,363	134,212	4,301
Payroll Related Liabilities	3,500	2,000	5,500	150
Compensated Absences	22,865	12,451	35,316	--
Current Portion of Long-term Debt	20,000	--	20,000	--
Total Current Liabilities	112,214	82,814	195,028	4,451
<i>Noncurrent Liabilities</i>				
Long-term Debt	242,000	--	242,000	--
Net Pension Liability	133,882	80,304	214,186	--
Total Liabilities	488,096	163,118	651,214	4,451
DEFERRED INFLOWS OF RESOURCES				
Pension Related	39,350	23,603	62,953	--
Total Deferred Inflows of Resources	39,350	23,603	62,953	--
NET POSITION				
Net Investment in Capital Assets	1,307,041	731,449	2,038,490	177,955
<i>Restricted for:</i>				
Debt Service	31,541	--	31,541	--
<i>Unrestricted</i>	874,322	876,720	1,751,042	422,009
Total Net Position	\$ 2,212,904	\$ 1,608,169	\$ 3,821,073	\$ 599,964

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Bronson
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year Ended June 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Wastewater	Water	Total Enterprise Funds	
Operating Revenues				
Charges for Services	\$ 514,166	\$ 291,763	\$ 805,929	\$ 129,714
<i>Total Operating Revenues</i>	514,166	291,763	805,929	129,714
Operating Expenses				
Personnel	215,177	91,600	306,777	11,196
Operating Expenses	233,419	121,354	354,773	58,647
Depreciation	119,739	67,016	186,755	59,195
<i>Total Operating Expenses</i>	568,335	279,970	848,305	129,038
<i>Operating Income (Loss)</i>	(54,169)	11,793	(42,376)	676
Non-Operating Revenues (Expenses)				
Investment Income	11,319	6,210	17,529	2,952
Property Taxes	32,904	--	32,904	--
Operating Grants	295,190	5,084	300,274	
Capital Grants	49,763	49,764	99,527	--
Other Revenue	1,355	967	2,322	--
Interest Expense	(14,050)	--	(14,050)	--
Operating Grant Expenses	(361,292)	(5,301)	(366,593)	--
<i>Net Non-Operating Revenues (Expenses)</i>	15,189	56,724	71,913	2,952
<i>Change In Net Position</i>	(38,980)	68,517	29,537	3,628
<i>Net Position at Beginning of Period</i>	2,251,884	1,539,652	3,791,536	596,336
<i>Net Position at End of Period</i>	\$ 2,212,904	\$ 1,608,169	\$ 3,821,073	\$ 599,964

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Bronson
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Wastewater	Water	Total Enterprise Funds	
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 561,723	\$ 290,617	\$ 852,340	\$ 129,714
Cash Payments to Employees for Services and Fringe Benefits	(226,770)	(106,378)	(333,148)	(11,196)
Cash Payments to Suppliers for Goods and Services	(301,336)	(57,489)	(358,825)	(58,050)
Net Cash Provided by Operating Activities	33,617	126,750	160,367	60,468
Cash Flows from Non-capital Financing Activities				
Change in Interfund Balances	(112,880)	2,435	(110,445)	7,453
Other Revenue	1,355	967	2,322	-
Operating Grants Revenue	295,190	5,084	300,274	-
Operating Grants Expenses	(361,292)	(5,301)	(366,593)	-
Net Cash Provided by (Used in) Non-capital Financing Activities	(177,627)	3,185	(174,442)	7,453
Cash Flows from Capital and Related Financing Activities				
Debt Service Charges / Property Taxes	32,904	-	32,904	-
Interest Expense	(14,050)	-	(14,050)	-
Principal Payment on Long-term Debt	(19,000)	-	(19,000)	-
Purchases of Capital Assets	(67,975)	(55,293)	(123,268)	(58,844)
Net Cash Used in Capital and Related Financing Activities	(68,121)	(55,293)	(123,414)	(58,844)
Cash Flows from Investing Activities				
Investment Income	11,319	6,210	17,529	2,952
Net Cash Provided by Investing Activities	11,319	6,210	17,529	2,952
Net Increase (Decrease) in Cash and Investments	(200,812)	80,852	(119,960)	12,029
Cash and Investments - Beginning of Year	1,199,944	867,530	2,067,474	403,496
Cash and Investments - End of Year	\$ 999,132	\$ 948,382	\$ 1,947,514	\$ 415,525
Statement of Net Position				
Cash and Investments	\$ 967,591	\$ 948,382	\$ 1,915,973	\$ 415,525
Restricted Cash and Investments	31,541	-	31,541	-
Total Cash and Investments	\$ 999,132	\$ 948,382	\$ 1,947,514	\$ 415,525

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Bronson
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities Internal Service Fund</u>
	<u>Wastewater</u>	<u>Water</u>	<u>Total Enterprise Funds</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ (54,169)	\$ 11,793	\$ (42,376)	\$ 676
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation Expense	119,739	67,016	186,755	59,195
Changes in Assets, Liabilities, and Related Deferrals				
Receivables, net	47,557	(1,146)	46,411	-
Prepaid Items	(3,535)	(2,580)	(6,115)	797
Accounts Payable	(64,382)	66,445	2,063	(200)
Compensated Absences	6,040	3,361	9,401	-
Net Pension Liability and Pension Related Deferrals	(17,633)	(18,139)	(35,772)	-
Net Cash Provided by Operating Activities	<u>\$ 33,617</u>	<u>\$ 126,750</u>	<u>\$ 160,367</u>	<u>\$ 60,468</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Bronson
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2021

	<u>Custodial Fund</u>
ASSETS	
Cash and Investments	\$ 1,044
<i>Total Assets</i>	<u>1,044</u>
LIABILITIES	
Undistributed Collections	<u>1,044</u>
<i>Total Liabilities</i>	<u>1,044</u>
NET POSITION	
Held in Trust	<u>\$ --</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Bronson
Statement of Change in Fiduciary Net Position
Fiduciary Fund
For the year Ended June 30, 2021

	<u>Custodial Fund</u>
Additions	
Property Taxes Collected for Other Governments	\$ 1,115,682
<i>Total Additions</i>	<u>1,115,682</u>
Deductions	
Payments of Property Taxes to Other Governments	<u>1,115,682</u>
<i>Total Deductions</i>	<u>1,115,682</u>
<i>Change in Net Position</i>	--
<i>Net Position at Beginning of Period</i>	<u>--</u>
<i>Net Position at End of Period</i>	<u><u>\$ --</u></u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

City of Bronson

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Bronson, Michigan (the “City” or “government”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Discretely Presented Component Units

The *Downtown Development Authority* (“DDA”) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA’s governing body, which consists of 9 members, is appointed by the City Council.

Joint Venture

The City of Bronson participates with the Townships of Batavia, Bethel, Bronson, Gilead, Matteson, and 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 \$32,232 to the Association for operations during the year ended June 30, 2021. Complete financial statements for the Association can be obtained from the City office.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function

City of Bronson

Notes to the Financial Statements

or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

The ***general fund*** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***major streets fund*** is used to account for gas and weight tax allocations to the City by the Michigan Department of Transportation for construction and maintenance of major streets within the City.

The ***local streets fund*** is used to account for gas and weight tax allocations to the City by

City of Bronson

Notes to the Financial Statements

the Michigan Department of Transportation for construction and maintenance of local streets within the City.

The City reports the following major proprietary funds:

The **wastewater fund** accounts for the activities of the sewage disposal and treatment systems.

The **water fund** accounts for the activities of the water treatment and distribution systems.

Additionally, the City reports the following fund types:

The **special revenue funds** are used to account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The **permanent funds** are used to account for resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the City programs.

The **internal service fund** is used to account for shared services and equipment usage provided to the City departments and funds on a cost reimbursement basis.

The **custodial fund** is custodial in nature and does not present results of operations or have a measurement focus. The custodial fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in a custodial capacity (such as taxes collected for other governments).

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent after September 14th of the year levied, at which time penalties and interest are assessed.

The City's 2020 tax is levied and collectible on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021, when the proceeds of the levy are budgeted and available for the financing of operations.

City of Bronson

Notes to the Financial Statements

The 2020 taxable valuation of the City totaled \$32.4 million (a portion of which is captured by the DDA). The City levied 16.4944 mills for operations, 1.000 mills for fire sinking, and 1.0208 mills for debt service.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes and City policy authorize the City to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Banker's acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

City of Bronson

Notes to the Financial Statements

Receivables and Payables

In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items

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

Restricted Cash and Investments

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

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 if purchased or constructed. Donated capital assets are valued at the acquisition cost.

Infrastructure, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land Improvements	15 to 40 years
Streets	15 to 20 years
Utility Systems	30 to 50 years
Buildings and Improvements	15 to 50 years
Machinery and Equipment	5 to 20 years
Vehicles	2 to 7 years
Furniture and Other	3 to 7 years

Compensated Absences (Vacation and Sick Leave)

It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund

City of Bronson

Notes to the Financial Statements

financial statements. A liability for these amounts is reported in governmental funds only for an estimate of the amount payable from expendable available financial resources.

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The general fund and debt service funds are generally used to liquidate governmental long-term debt.

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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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.

Deferred Outflows / Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the City's net pension liability. The net pension liability amounts are related to differences between expected and actual experience, changes of assumptions, differences between projected and actual pension plan

City of Bronson

Notes to the Financial Statements

investment earnings, and employer contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Additionally, the City has a deferred inflow, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, this item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: receivables for revenues that are not considered to be available to liquidate liabilities of the current period. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular order from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In to calculate the amounts to report as restricted and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumption

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed

City of Bronson

Notes to the Financial Statements

fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Council.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 period. Actual results could differ from those estimates.

Note 2 - Statutory Compliance

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year-end, except for those approved by the City Council for carry forward. The annual budget is prepared by the City's management and adopted by the City Council; subsequent amendments are approved by the City Council. During the current year, the budget was amended in a legally permissible manner.

The budget process is initiated in January, when the departments are given information and guidelines to assist them in formulating their budget requests. The department heads summarize the departmental appropriation requests and submit them the manager on or before the second Monday in March. During March, the manager reviews the appropriation requests, meets with departments, and puts together the budget. The budget is submitted to the City Council on or before

City of Bronson

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the first regular meeting in May, as required by the City's Charter. During the next month, the City Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by resolution no later than the first regular meeting in June.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is by department.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgetary Funds

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The City's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the City for these budgeted funds were also adopted at the department level.

The City had the following expenditure in excess of the amount appropriated during the year ended June 30, 2021:

<u>Fund / Department</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Negative Variance</u>
Local Streets			
Public Works	\$ 252,354	\$ 313,710	\$ (61,356)

City of Bronson

Notes to the Financial Statements

Note 3 - Deposits and Investments

Following is a reconciliation of deposit and investment balances as of June 30, 2021:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and Investments	\$ 4,147,472	\$ 2,923	\$ 4,150,395
Restricted Cash and Investments	31,541	-	31,541
Statement of Fiduciary Net Position			
Cash and investments	1,044	-	1,044
Total Cash and Investments	\$ 4,180,057	\$ 2,923	\$ 4,182,980
Deposits and Investments			
Checking and Savings Accounts		\$ 255,730	
Investments		3,927,000	
Petty Cash		250	
Total Deposits and Investments		\$ 4,182,980	

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require, and the City does not have a policy for deposit custodial credit risk. As of year-end, \$1,244,000 of the City's bank balance of \$4,187,792 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, City policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2021, none of the City's investments were exposed to concentration credit risk. Investments for the City consisted of the following types:

Certificates of Deposit	\$ 3,289,400
Money Market	637,600
Total Investments	\$ 3,927,000

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

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Notes to the Financial Statements

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. The City's investments of \$3,927,000 were not applicable to credit risk ratings.

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. Maturity dates for investments held at year-end are summarized as follows:

No Maturity	\$ 637,600
Less than 1 Year	3,289,400
Total Investments	<u>\$ 3,927,000</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a percentage of the total investment portfolio.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs

City of Bronson

Notes to the Financial Statements

are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The City has the following recurring fair value measurements as of June 30, 2021:

- All investments that are categorized as certificate of deposit, cash equivalents, money market, and liquid asset savings, with a balance of \$3,927,000, which are valued using quoted market prices (level 1 inputs).

Note 4 - Interfund Transactions

The composition of interfund balances for the year ended June 30, 2021 are as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Major Streets	Local Streets	\$ 30,680

The interfund balance resulted from an expenditure originally paid out of the major streets fund rather than the local streets fund, as it was meant.

Interfund transfers for the year ended June 30, 2021 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Streets	General	\$ 100,000
Local Streets	Major Streets	100,000
General	Nonmajor Governmental	4,000
Nonmajor Governmental	General	20,000
Nonmajor Governmental	Nonmajor Governmental	6,000

Interfund transfers are used to: 1) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and 2) move Act 51 revenues to fund local street projects.

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. As of June 30, 2021, loans receivable of \$51,601 are reported net of an allowance of uncollectible accounts of \$0 in the Community Development fund of the City.

City of Bronson

Notes to the Financial Statements

Note 6 - Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 424,389	\$ -	\$ -	\$ 424,389
<i>Subtotal</i>	<u>424,389</u>	<u>-</u>	<u>-</u>	<u>424,389</u>
Capital Assets being Depreciated				
Land Improvements	96,344	-	-	96,344
Buildings and Improvements	471,949	-	-	471,949
Machinery and Equipment	943,179	6,719	-	949,898
Vehicles	418,800	52,125	-	470,925
Streets	839,709	-	-	839,709
<i>Subtotal</i>	<u>2,769,981</u>	<u>58,844</u>	<u>-</u>	<u>2,828,825</u>
Less Accumulated Depreciation				
Land Improvements	(75,148)	(3,854)	-	(79,002)
Buildings and Improvements	(359,339)	(8,470)	-	(367,809)
Machinery and Equipment	(877,938)	(13,002)	-	(890,940)
Vehicles	(305,734)	(46,192)	-	(351,926)
Streets	(461,004)	(37,158)	-	(498,162)
<i>Subtotal</i>	<u>(2,079,163)</u>	<u>(108,676)</u>	<u>-</u>	<u>(2,187,839)</u>
Capital Assets being Depreciated, net	<u>690,818</u>	<u>(49,832)</u>	<u>-</u>	<u>640,986</u>
Capital Assets, net	<u>\$ 1,115,207</u>	<u>\$ (49,832)</u>	<u>\$ -</u>	<u>\$ 1,065,375</u>

Depreciation expense was charged to the governmental functions of the City as follows:

Governmental Activities	
Public Safety	\$ 1,971
Public Works	41,798
Recreation and Culture	5,712
Internal Service Fund	59,195
Total Governmental Activities	<u>\$ 108,676</u>

City of Bronson

Notes to the Financial Statements

Capital asset activity for business-type activities for the year ended June 30, 2021 was as follows:

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 14,655	\$ -	\$ -	\$ 14,655
Construction in Progress	-	110,586	-	110,586
<i>Subtotal</i>	<u>14,655</u>	<u>110,586</u>	<u>-</u>	<u>125,241</u>
Capital Assets being Depreciated				
Wastewater System	5,941,966	12,682	-	5,954,648
Water System	1,914,108	-	-	1,914,108
<i>Subtotal</i>	<u>7,856,074</u>	<u>12,682</u>	<u>-</u>	<u>7,868,756</u>
Less Accumulated Depreciation				
Wastewater System	(4,324,161)	(119,739)	-	(4,443,900)
Water System	(1,182,591)	(67,016)	-	(1,249,607)
<i>Subtotal</i>	<u>(5,506,752)</u>	<u>(186,755)</u>	<u>-</u>	<u>(5,693,507)</u>
Capital Assets being Depreciated, net	<u>2,349,322</u>	<u>(174,073)</u>	<u>-</u>	<u>2,175,249</u>
Capital Assets, net	<u>\$ 2,363,977</u>	<u>\$ (63,487)</u>	<u>\$ -</u>	<u>\$ 2,300,490</u>

Depreciation expense was charged to the enterprise funds of the City as follows:

Business-type Activities	
Wastewater	\$ 119,739
Water	<u>67,016</u>
Total Business-type Activities	<u>\$ 186,755</u>

Note 7 - Long-term Obligations

The following is a summary of the long-term obligations of the City for the year ended June 30, 2021:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated Absences	\$ 37,255	\$ 1,940	\$ -	\$ 39,195	\$ 6,195
Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
1993 General Obligation Limited Tax Bonds					
Amount Issued - \$590,000					
Annual Installments of \$5,000 to \$23,000					
Interest Rate 5.00%, Semiannually					
Maturing through 2033	\$ 281,000	\$ -	\$ (19,000)	\$ 262,000	\$ 20,000
Compensated Absences	25,915	9,401	-	35,316	35,316
Total Business-type Activities	<u>\$ 306,915</u>	<u>\$ 9,401</u>	<u>\$ (19,000)</u>	<u>\$ 297,316</u>	<u>\$ 55,316</u>

City of Bronson

Notes to the Financial Statements

The annual requirements to amortize all debt outstanding (excluding compensated absences) as of June 30, 2021 are as follows:

Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2022	\$ 20,000	\$ 13,100	\$ 33,100
2023	20,000	12,100	32,100
2024	21,000	11,100	32,100
2025	21,000	10,050	31,050
2026	22,000	9,000	31,000
2027 - 2031	112,000	28,450	140,450
2032 - 2033	46,000	3,450	49,450
Totals:	<u>\$ 262,000</u>	<u>\$ 87,250</u>	<u>\$ 349,250</u>

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

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The MERS plan covers all full-time employees of the City. Retirement benefits for employees are calculated as 1.50% of the employee's five-year final average compensation times the employee's years of service. Normal retirement age is 60 with early retirement at a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. There is also an option for early retirement with unreduced benefits at age 55 with 20 years of service for police officers. The vesting period is 10 years for all employees. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police employee benefits terms may be subject to binding arbitration in certain circumstances.

City of Bronson

Notes to the Financial Statements

Employees Covered by Benefit Terms

At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	7
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	9
Active Plan Members	<u>12</u>
<i>Total Employees Covered By MERS</i>	<u>28</u>

Contributions

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

Employer contributions range from 7.50% to 8.50% based on annual payroll for open divisions. The active employee contribution rate ranged from 10.70% to 11.56% of annual payroll for open divisions.

Net Pension Liability

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

Actuarial Assumptions

The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% plus merit and longevity: 3.00% in the long-term

Investment Rate of Return: 7.35%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00-4.00%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

City of Bronson

Notes to the Financial Statements

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of	Long-term Expected Gross Rate of	Inflation Assumption	Long-term Expected Real Rate of
Global Equity	60.00%	7.45%	4.47%	2.50%	3.15%
Global Fixed Income	20.00%	4.90%	0.98%	2.50%	0.25%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.45%
Total	100.00%		7.35%		4.85%

Discount Rate

The discount rate used to measure the total pension liability in the current year and prior year is 7.60%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Bronson

Notes to the Financial Statements

Changes in Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2019	<u>\$ 2,608,025</u>	<u>\$ 1,877,885</u>	<u>\$ 730,140</u>
<i>Changes for the Year:</i>			
Service Cost	60,685	-	60,685
Interest on Total Pension Liability	196,623	-	196,623
Differences Between Expected and Actual Experience	(69,324)	-	(69,324)
Changes of Assumptions	78,794	-	78,794
Changes in Benefit Terms	(3,904)	-	(3,904)
Contributions - Employer	-	55,287	(55,287)
Contributions - Employee	-	72,128	(72,128)
Net Investment Income	-	249,114	(249,114)
Benefit Payments, Including Refunds	(102,444)	(102,444)	-
Administrative Expenses	-	(3,842)	3,842
<i>Net Changes</i>	<u>160,430</u>	<u>270,243</u>	<u>(109,813)</u>
Balance at December 31, 2020	<u>\$ 2,768,455</u>	<u>\$ 2,148,128</u>	<u>\$ 620,327</u>
	Allocated to:		
	Governmental Activities	\$	406,141
	Business-type Activities		214,186
		<u>\$</u>	<u>620,327</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Net Pension Liability of the City	<u>\$ 940,195</u>	<u>\$ 620,327</u>	<u>\$ 350,081</u>

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

For the year ended June 30, 2021, the City recognized pension expense of \$37,991. At June 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

City of Bronson

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Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 77,433
Difference between Expected and Actual Experience	-	104,892
Changes of Assumptions	98,436	-
Employer Contributions to the Plan Subsequent to the Measurement Date*	27,390	-
Total	\$ 125,826	\$ 182,325
Allocated as Follows:		
Governmental Activities	\$ 82,381	\$ 119,372
Business-type Activities	43,445	62,953
	\$ 125,826	\$ 182,325

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2022.

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

Fiscal Year Ended June 30,	Amount
2022	\$ (20,292)
2023	1,849
2024	(44,327)
2025	(21,119)

Significant Changes to the Pension Valuation

At the February 27, 2020, board meeting, the MERS Retirement Board adopted demographic assumptions effective with the December 31, 2020, annual actuarial valuation, which will impact contributions beginning in 2022. A 5-year experience study analyzing historical experience from 2014 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement Board and are effective beginning with the December 31, 2020, actuarial valuation, first impacting 2022 contributions.

Note 9 - 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

City of Bronson

Notes to the Financial Statements

employees. The City has purchased commercial insurance for medical claims, claims relating to general liability and property loss, and participates in the Michigan Municipal League Workers' Compensation Fund risk pool for claims relating to workers' compensation. Settled claims related to commercial insurances have historically not exceeded the City's insurance coverages.

The Michigan Municipal Workers' Compensation Fund risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Litigation

In the normal course of its operations, the City has become a party in various legal actions, including property tax appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City. Amounts reserved for losses to legal actions have not been included as a liability in the financial statements.

Note 11 - Commitment

The City is receiving grant assistance from the Michigan Strategic Fund for a Drinking Water Asset Management Grant (DWAM Grant). The grant funding will be \$989,250 with a match from the City in the amount of \$329,750 for total project costs of \$1,319,000. A \$1,319,000 contract was entered into by the City in order to complete the project. As of the date of this report, the City spent \$926,002 in relation to this contract.

Note 12 - COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted business operations. During the 2020-2021 fiscal year, the City's operations were impacted, as shelter-in-place orders and government mandates impacted census volumes. The City has moved to mitigate the impact by managing the workforce, actively managing cash balances, and implementing other cost reduction measures.

Note 13 - New Accounting Pronouncement Adopted

The City adopted the provisions of **GASB Statement No. 84, *Fiduciary Activities***, in the current year. As a result of this change, the trust agency fund was converted into a custodial fund. In addition, the custodial fund now shows activity that occurred throughout the year.

Required Supplementary Information

City of Bronson
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the year Ended June 30, 2021

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 542,083	\$ 536,826	\$ 535,857	\$ (969)
Licenses and Permits	11,700	13,933	13,827	(106)
Intergovernmental	315,258	679,618	646,642	(32,976)
Charges for Services	164,156	159,117	171,023	11,906
Fines and Forfeits	12,750	13,380	14,247	867
Interest and Rentals	56,900	49,995	51,476	1,481
Other Revenue	500	14,775	15,190	415
Total Revenues	1,103,347	1,467,644	1,448,262	(19,382)
Other Financing Sources				
Transfers In	--	4,000	4,000	--
Total Revenues and Other Financing Sources	1,103,347	1,471,644	1,452,262	(19,382)
Expenditures				
General Government				
Administration	423,057	387,936	388,906	(970)
Public Safety				
Police Department	517,693	525,266	513,928	11,338
Fire Department	32,232	32,232	32,232	--
Total Public Safety	549,925	557,498	546,160	11,338
Public Works				
Department of Public Works	202,530	188,092	188,845	(753)
Recreation and Culture				
Parks	72,876	52,637	52,915	(278)
Total Expenditures	1,248,388	1,186,163	1,176,826	9,337
Other Financing Uses				
Transfers Out	120,000	120,000	120,000	--
Total Expenditures and Other Financing Uses	1,368,388	1,306,163	1,296,826	9,337
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(265,041)	165,481	155,436	(10,045)
Net Change in Fund Balance	(265,041)	165,481	155,436	(10,045)
Fund Balance at Beginning of Period	1,025,188	1,025,188	1,025,188	--
Fund Balance at End of Period	\$ 760,147	\$ 1,190,669	\$ 1,180,624	\$ (10,045)

City of Bronson
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the year Ended June 30, 2021

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 202,015	\$ 297,390	\$ 271,701	\$ (25,689)
Interest and Rentals	1,000	990	1,053	63
Total Revenues	203,015	298,380	272,754	(25,626)
Expenditures				
Public Works	135,130	128,647	89,098	39,549
Total Expenditures	135,130	128,647	89,098	39,549
Other Financing Uses				
Transfers Out	100,000	100,000	100,000	--
Total Expenditures and Other Financing Uses	235,130	228,647	189,098	39,549
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(32,115)	69,733	83,656	13,923
Net Change in Fund Balance	(32,115)	69,733	83,656	13,923
Fund Balance at Beginning of Period	188,136	188,136	188,136	--
Fund Balance at End of Period	\$ 156,021	\$ 257,869	\$ 271,792	\$ 13,923

City of Bronson
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Streets
For the year Ended June 30, 2021

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 83,523	\$ 154,789	\$ 191,490	\$ 36,701
Interest and Rentals	750	505	524	19
Total Revenues	84,273	155,294	192,014	36,720
Other Financing Sources				
Transfers In	200,000	200,000	200,000	--
Total Revenues and Other Financing Sources	284,273	355,294	392,014	36,720
Expenditures				
Public Works	278,820	252,354	313,710	(61,356)
Total Expenditures	278,820	252,354	313,710	(61,356)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	5,453	102,940	78,304	(24,636)
Net Change in Fund Balance	5,453	102,940	78,304	(24,636)
Fund Balance at Beginning of Period	142,556	142,556	142,556	--
Fund Balance at End of Period	\$ 148,009	\$ 245,496	\$ 220,860	\$ (24,636)

City of Bronson
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios*
Last Seven Calendar Years

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 60,685	\$ 57,350	\$ 50,344	\$ 49,594	\$ 48,643	\$ 37,584	\$ 42,986
Interest on Total Pension Liability	196,623	194,077	185,553	177,338	172,980	153,792	143,063
Changes in Benefit Terms	(3,904)	(10,083)	(4,779)	2,616	3,881	(29,069)	-
Differences Between Expected and Actual Experience	(69,324)	(49,566)	(28,013)	(46,570)	(6,925)	44,110	-
Changes of Assumptions	78,794	78,683	-	-	-	104,954	-
Benefit Payments, Including Refunds	(102,444)	(119,459)	(80,656)	(80,656)	(78,638)	(72,472)	(74,562)
Other Changes	-	-	-	(1)	(6,292)	(1,668)	-
Net Change in Pension Liability	160,430	151,002	122,449	102,321	133,649	237,231	111,487
<i>Total Pension Liability - Beginning</i>	<i>2,608,025</i>	<i>2,457,023</i>	<i>2,334,574</i>	<i>2,232,253</i>	<i>2,098,604</i>	<i>1,861,373</i>	<i>1,749,886</i>
Total Pension Liability - Ending (a)	\$ 2,768,455	\$ 2,608,025	\$ 2,457,023	\$ 2,334,574	\$ 2,232,253	\$ 2,098,604	\$ 1,861,373
Plan Fiduciary Net Position							
Contributions - Employer	\$ 55,287	\$ 55,445	\$ 251,764	\$ 51,363	\$ 50,666	\$ 43,251	\$ 38,729
Contributions - Employee	72,128	66,627	59,030	49,785	41,651	37,132	36,616
Net Investment Income (Loss)	249,114	226,754	(66,083)	174,574	133,591	(17,966)	69,909
Benefit Payments, Including Refunds	(102,444)	(119,459)	(80,656)	(80,656)	(78,638)	(72,472)	(74,562)
Administrative Expenses	(3,842)	(3,909)	(3,129)	(2,758)	(2,634)	(2,591)	(2,573)
Net Change in Plan Fiduciary Net Position	270,243	225,458	160,926	192,308	144,636	(12,646)	68,119
<i>Plan Fiduciary Net Position - Beginning</i>	<i>1,877,885</i>	<i>1,652,427</i>	<i>1,491,501</i>	<i>1,299,193</i>	<i>1,154,557</i>	<i>1,167,203</i>	<i>1,099,084</i>
Plan Fiduciary Net Position - Ending (b)	\$ 2,148,128	\$ 1,877,885	\$ 1,652,427	\$ 1,491,501	\$ 1,299,193	\$ 1,154,557	\$ 1,167,203
Net Pension Liability - Ending (a) - (b)	\$ 620,327	\$ 730,140	\$ 804,596	\$ 843,073	\$ 933,060	\$ 944,047	\$ 694,170
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	77.6%	72.0%	67.3%	63.9%	58.2%	55.0%	62.7%
Covered Payroll	\$ 679,435	\$ 680,835	\$ 636,341	\$ 621,433	\$ 600,891	\$ 521,335	\$ 595,833
Net Pension Liability as a Percentage of Covered Payroll	91.3%	107.2%	126.4%	135.7%	155.3%	181.1%	116.5%

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

**The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality 2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.
2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions

City of Bronson
Required Supplementary Information
Schedule of Contributions
Last Seven Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 55,317	\$ 55,445	\$ 51,764	\$ 51,363	\$ 50,666	\$ 43,251	\$ 38,729
Contributions in Relation to the Actuarially Determined Contribution	55,317	55,445	251,764	51,363	50,666	43,251	38,729
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 678,367	\$ 680,835	\$ 636,341	\$ 621,433	\$ 600,891	\$ 521,335	\$ 595,833
Contributions as a Percentage of Covered Payroll	8.2%	8.1%	39.6%	8.3%	8.4%	8.3%	6.5%

Notes

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	18 Years
Asset Valuation Method	5 Years; Smoothed
Inflation	2.50%
Salary Increases	3.00% Wage Inflation with 0.00%-11.00% Merit and Longevity Increases (3.75% for 2015 through 2019)
Investment Rate of Return	7.35%, Net of Investment Expense, including Inflation (7.75% for 2015 through 2019)
Retirement Age	Experience-Based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	Rates Used were Based on the Pub-2010 Group Annuity Mortality Table of a 50% Male and 50% Female Blend

Combining and Individual Fund Statements and Schedules

City of Bronson
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue			Permanent		Total Nonmajor Governmental Funds
	Fire Sinking Fund	Cemetery	Community Development	Cemetery Perpetual Care	Cemetery Development Fund	
ASSETS						
Cash and Investments	\$ 155,421	\$ 24,967	\$ 14,106	\$ 11,242	\$ 12,246	\$ 217,982
Receivables, net	--	--	51,061	--	--	51,061
Prepaid Items	--	511	--	--	--	511
<i>Total Assets</i>	\$ 155,421	\$ 25,478	\$ 65,167	\$ 11,242	\$ 12,246	\$ 269,554
LIABILITIES						
Accounts Payable	\$ --	\$ 1,785	\$ --	\$ --	\$ --	\$ 1,785
Payroll Related Liabilities	--	100	--	--	--	100
<i>Total Liabilities</i>	--	1,885	--	--	--	1,885
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	--	--	50,361	--	--	50,361
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	1,885	50,361	--	--	52,246
FUND BALANCE						
Nonspendable	--	511	--	--	--	511
Restricted	155,421	23,082	--	11,242	12,246	201,991
Committed	--	--	14,806	--	--	14,806
Unassigned	--	--	--	--	--	--
<i>Total Fund Balance</i>	155,421	23,593	14,806	11,242	12,246	217,308
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	\$ 155,421	\$ 25,478	\$ 65,167	\$ 11,242	\$ 12,246	\$ 269,554

City of Bronson
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year Ended June 30, 2021

	<u>Special Revenue</u>			<u>Permanent</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Fire Sinking Fund</u>	<u>Cemetery</u>	<u>Community Development</u>	<u>Cemetery Perpetual Care</u>	<u>Cemetery Development Fund</u>	
Revenues						
Property Taxes	\$ 28,407	\$ --	\$ --	\$ --	\$ --	\$ 28,407
Charges for Services	--	4,952	--	750	--	5,702
Interest and Rentals	944	48	23	116	1,565	2,696
Other Revenue	--	6	18,262	--	--	18,268
Total Revenues	<u>29,351</u>	<u>5,006</u>	<u>18,285</u>	<u>866</u>	<u>1,565</u>	<u>55,073</u>
Expenditures						
General Government	--	19,939	--	--	--	19,939
Community and Economic Development	--	--	60	--	--	60
Total Expenditures	<u>--</u>	<u>19,939</u>	<u>60</u>	<u>--</u>	<u>--</u>	<u>19,999</u>
Excess of Revenues Over (Under) Expenditures	<u>29,351</u>	<u>(14,933)</u>	<u>18,225</u>	<u>866</u>	<u>1,565</u>	<u>35,074</u>
Other Financing Sources (Uses)						
Transfers In	--	26,000	--	--	--	26,000
Transfers Out	--	--	(4,000)	(6,000)	--	(10,000)
Net Other Financing Sources (Uses)	<u>--</u>	<u>26,000</u>	<u>(4,000)</u>	<u>(6,000)</u>	<u>--</u>	<u>16,000</u>
Net Change in Fund Balance	<u>29,351</u>	<u>11,067</u>	<u>14,225</u>	<u>(5,134)</u>	<u>1,565</u>	<u>51,074</u>
Fund Balance at Beginning of Period	<u>126,070</u>	<u>12,526</u>	<u>581</u>	<u>16,376</u>	<u>10,681</u>	<u>166,234</u>
Fund Balance at End of Period	<u>\$ 155,421</u>	<u>\$ 23,593</u>	<u>\$ 14,806</u>	<u>\$ 11,242</u>	<u>\$ 12,246</u>	<u>\$ 217,308</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

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, the discretely presented component unit, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 13, 2021.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2020-001 and 2020-002, which we consider to be material weaknesses.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Bronson Responses to Findings

The City's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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.



Gabridge & Company, PLC
Sturgis, MI
December 13, 2021

City of Bronson

Schedule of Findings and Responses

Material Weakness

2020-001 Segregation of Incompatible Duties and Documented Independent Review (*repeat finding*)

Condition: The City has several accounting functions that are performed by the same individual and are not subject to documented independent review and approval.

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of duties.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis but are not being documented.

Effect: As a result of this condition, the City is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented, or detected, and corrected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Views of Responsible

Officials: Management recognizes that this limitation is a natural outgrowth of the small number of full-time staff and applies its judgement in determining how to best allocate the City's resources to provide an appropriate balance between sound internal controls and fiscal prudence.

Planned Corrective

Action: With the status of state funding, the City is unable to hire additional employees at this time to improve the segregation of duties within the accounting function. Management realizes that segregation of duties is important in order to increase internal control. Management oversight has been an alternative means of monitoring internal control along with continuing to try and reassign some duties within the accounting department to other staff members. The City and Council will continue to monitor the situation and explore cost effective ways to improve this internal control limitation.

Material Weakness

2020-002 Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements (*repeat finding*)

Criteria:	All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including 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 auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government'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 the City's decision that it is more cost effective to outsource the preparation of its 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's internal controls over the preparation of financial statements in accordance with GAAP are incomplete.
Recommendation:	Due to the size and activity of the City, we recommend that the government continue to outsource financial statement preparation.
View of Responsible Officials:	The City has evaluated the cost versus 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.
Planned Corrective Action:	The City will continue to rely on its outside auditors to assist in preparing the GAAP basis financial statements and will evaluate annually for the need to change.

December 13, 2021

To the Members of the City Council
City of Bronson, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bronson (the “City”) for the year ended June 30, 2021. Our report includes a reference to other auditors. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you September 3, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. There were no new accounting policies adopted and, except as stated in Note 13 to the financial statements, the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management’s estimate of the net pension asset/liability and the related income/expense is based on the services of an independent third-party actuary. Estimates are dependent upon underlying assumptions used by the actuary and the accuracy of the underlying data.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

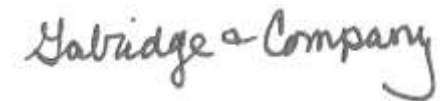
We applied certain limited procedures to management's discussion and analysis, pension schedules, and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements and individual fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Bronson and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Sturgis, MI