

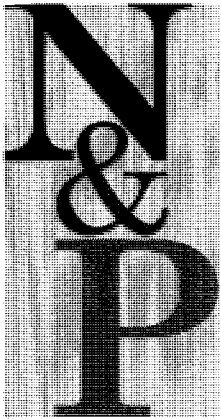
**CITY OF BRONSON, MICHIGAN**  
**FINANCIAL REPORT**  
**WITH SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2013**

**CITY OF BRONSON**  
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
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, each major fund, and the aggregate remaining fund information of the City of Bronson, Michigan, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

Patrick L. Monahan, CPA  
Bruce S. A. Gosling, CPA, CVA  
Michael R. Wilson, CPA  
Ricky L. Strawser, CPA  
Donald L. Paulsen, Retired  
Jerrel T. Norman (1941-1982)

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bronson, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

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

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Bronson's basic financial statements. The additional supplementary information, as identified in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013, on our consideration of the City of Bronson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bronson's internal control over financial reporting and compliance.

October 25, 2013

*Norman J. Paulson, P.C.*



## **CITY OF BRONSON**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Bronson financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the City's financial statements.

#### **Financial Highlights**

The City's overall financial position decreased by \$60,361 during the fiscal year ended June 30, 2013, which represents 0.9 percent of the net position at the beginning of the year. Included in the City's total net position of \$6,347,203 are the Sewage Disposal System Fund net position of \$2,925,715 and the Water Supply System Fund net position of \$1,622,859. The Sewage Disposal System's net position decreased by \$88,334 and the Water Supply System's net position increased by \$18,999.

The City's Governmental Funds reflected a total fund balance at June 30, 2013 of \$461,863, which was an increase of \$32,219 from the prior year end.

The total Governmental Fund expenditures for the year ended June 30, 2013, amounted to \$1,169,490, of which \$477,638 (41 percent) was for public safety and \$430,048 (37 percent) was for public works and streets.

#### **Using This Annual Report**

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

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

**CITY OF BRONSON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**The City as a Whole**

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

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2013	2012	2013	2012
Assets	\$ 485	\$ 471	\$ 4,987	\$ 5,063
Liabilities	23	41	438	445
Fund Equity				
Invested in capital assets, net of related debt	-	-	2,947	3,064
Retained Earnings				
Restricted	-	-	25	25
Unreserved	-	-	1,577	1,529
Fund Balances				
Nonspendable	28	25	-	-
Restricted	51	43	-	-
Committed	61	49	-	-
Unassigned	322	313	-	-
Total Fund Equity	\$ 462	\$ 430	\$ 4,549	\$ 4,618

**CITY OF BRONSON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City's governmental fund equity increased by 7.5 percent or \$32,219 from a year ago. In contrast the prior year's governmental fund equity decreased by 21.9 percent or \$120,125.

The City's enterprise fund equity decreased by 1.5 percent or \$69,335 from a year ago. In contrast the prior year's enterprise fund equity decreased by 1.3 percent or \$62,690.

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

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Current and other assets	\$ 792	\$ 711	\$ 1,639	\$ 1,583
Capital assets	1,104	1,232	3,348	3,480
Total assets	1,896	1,943	4,987	5,063
Long-term debt outstanding	42	47	402	416
Other liabilities	55	106	36	29
Total liabilities	97	153	438	445
Net position				
Invested in capital assets, net of related debt	1,061	1,156	2,947	3,064
Restricted	56	49	25	25
Unrestricted	682	585	1,577	1,529
Total net position	\$ 1,799	\$ 1,790	\$ 4,549	\$ 4,618



**CITY OF BRONSON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2013	2012	2013	2012
Revenue				
Property taxes	\$ 669	\$ 649	\$ 35	\$ 35
Licenses and permits	10	3	-	-
Intergovernmental	420	438	-	-
Charges for services	73	31	588	581
Fines and forfeits	12	13	-	-
Other	17	53	23	25
Loan proceeds	-	-	-	-
Total revenue	1,201	1,187	646	641
Program expenses				
General government	157	190	-	-
Public safety	478	538	-	-
Public works	214	219	-	-
Parks and recreation	48	71	-	-
Highways and streets	216	217	-	-
Community development	19	25	-	-
Debt service	37	47	-	-
Sewer system	-	-	320	305
Water system	-	-	174	172
Depreciation	-	-	200	205
Interest expense	-	-	21	22
Total expenses	1,169	1,307	715	704
Excess (deficit)	\$ 32	\$ (120)	\$ (69)	\$ (63)

**CITY OF BRONSON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 129	\$ 125	\$ 588	\$ 581
Operating grants and contributions	180	178	-	-
Capital grants and contributions	-	-	-	-
General revenues				
Property taxes	669	648	35	35
State shared revenues	250	259	-	-
Unrestricted investment earnings	2	2	6	6
Gain (loss) on sale	-	-	-	-
Miscellaneous	2	4	17	19
Total revenues	1,232	1,216	646	641
<b>Expenses</b>				
General government	321	359	-	-
Public safety	473	533	-	-
Public works	368	376	-	-
Parks and recreation	53	71	-	-
Community development	4	8	-	-
Interest on long-term debt	4	3	-	-
Sewer system	-	-	482	470
Water system	-	-	233	234
Total expenses	1,223	1,350	715	704
Change in net position	\$ 9	\$ (134)	\$ (69)	\$ (63)

**The City's Funds**

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. Major funds for the fiscal year ended June 30, 2013 include the General Fund.

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

## **CITY OF BRONSON**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **General Fund Budgetary Highlights**

As shown in the required supplemental information, the City budgeted a decrease of \$52,595 in the original budget and a decrease of \$29,918 in the amended budget. Actual operating results ended up as an increase of \$13,391.

The actual results ended the fiscal year within \$43,309 of the amended budget.

#### **Capital Assets and Debt Administration**

During the year ended June 30, 2013, the total capital assets of the City increased by \$68,574. This amount consisted of \$47,642 for sewer system improvements and \$20,932 for water system improvements.

During the year ended June 30, 2013, the City incurred no additional long-term debt borrowings and made principal payments of \$47,710. Total debt obligations at June 30, 2013, amounted to \$474,621.

#### **Economic Factors and Next Year's Budgets and Rates**

The General Fund adopted budget for the next fiscal year ending June 30, 2013 is reflective of the continued poor economy. Property tax revenue, state revenue sharing and investment income are projected to continue to decrease. The 2013-2014 budget was adopted with a \$27,690 projected excess of expenditures over revenues.

State revenue sharing is approximately the same as it was ten years ago. Due to the continued poor economy in the State of Michigan, revenue sharing is projected to decrease. Act 51 Gas Tax revenue continues to fall short of the funding necessary for street maintenance. The General Fund continues to make up the shortfall for street maintenance in the Major and Local Street Funds.

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

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

#### **Contacting the City's Management**

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF BRONSON**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 706,269	\$ 1,506,837	\$ 2,213,106
Receivables, net	33,385	94,438	127,823
Internal balances	(1,501)	1,501	-
Prepaid and other assets	28,906	10,418	39,324
Restricted assets	-	24,909	24,909
Long-term receivables,	25,340	-	25,340
Capital assets - net	1,103,704	3,348,554	4,452,258
Total assets	1,896,103	4,986,657	6,882,760
<b>LIABILITIES</b>			
Accounts payable	8,658	12,769	21,427
Accrued and other liabilities	16,195	23,314	39,509
Debt obligations:			
Due within one year	13,179	16,000	29,179
Due in more than one year	29,442	386,000	415,442
Compensated absences	30,000	-	30,000
Total liabilities	97,474	438,083	535,557
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,061,083	2,946,553	4,007,636
Restricted for:			
Public safety	4,273	-	4,273
Streets	51,819	-	51,819
Debt service	-	24,909	24,909
Unrestricted	681,454	1,577,112	2,258,566
Total net position	\$ 1,798,629	\$ 4,548,574	\$ 6,347,203

See accompanying notes to financial statements

**CITY OF BRONSON**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 321,497	\$ 109,351	\$ 8,283	\$ -
Public safety	473,009	12,475	2,214	-
Public works	368,008	-	169,559	-
Parks and recreation	52,875	1,480	-	-
Community development	4,015	6,051	-	-
Interest on long-term debt	<u>3,712</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	1,223,116	129,357	180,056	-
Business-type activities:				
Sanitary sewer	482,443	346,537	-	-
Water	<u>232,810</u>	<u>241,434</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>715,253</u>	<u>587,971</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,938,369</u>	<u>\$ 717,328</u>	<u>\$ 180,056</u>	<u>\$ -</u>

General revenues:  
  Property taxes  
  State shared revenues  
  Unrestricted investment earnings  
  Miscellaneous

Total general revenues

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position  
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (203,863)	\$ -	\$ (203,863)
(458,320)	-	(458,320)
(198,449)	-	(198,449)
(51,395)	-	(51,395)
2,036	-	2,036
<u>(3,712)</u>	<u>-</u>	<u>(3,712)</u>
(913,703)	-	(913,703)
-	(135,906)	(135,906)
<u>-</u>	<u>8,624</u>	<u>8,624</u>
<u>-</u>	<u>(127,282)</u>	<u>(127,282)</u>
(913,703)	(127,282)	(1,040,985)
669,052	34,867	703,919
250,389	-	250,389
1,690	5,662	7,352
<u>1,546</u>	<u>17,418</u>	<u>18,964</u>
<u>922,677</u>	<u>57,947</u>	<u>980,624</u>
8,974	(69,335)	(60,361)
<u>1,789,655</u>	<u>4,617,909</u>	<u>6,407,564</u>
<u>\$ 1,798,629</u>	<u>\$ 4,548,574</u>	<u>\$ 6,347,203</u>

## **FUND FINANCIAL STATEMENT**



**CITY OF BRONSON**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2013**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 340,086	\$ 83,453	\$ 423,539
Accounts receivable	5,403	-	5,403
Due from other funds	-	114	114
Due from other governments	-	27,908	27,908
Prepaid and other assets	<u>22,932</u>	<u>5,493</u>	<u>28,425</u>
 Total assets	 <u>\$ 368,421</u>	 <u>\$ 116,968</u>	 <u>\$ 485,389</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 4,484	\$ 1,370	\$ 5,854
Accrued and other liabilities	13,195	2,850	16,045
Due to other funds	<u>1,627</u>	<u>-</u>	<u>1,627</u>
 Total liabilities	 19,306	 4,220	 23,526
 <b>FUND BALANCE</b>			
Nonspendable:			
Prepaid expenditures	22,932	5,493	28,425
Restricted for:			
Public safety	4,273	-	4,273
Streets	-	46,481	46,481
Committed for:			
Fire protection equipment	-	5,574	5,574
Cemetery	-	35,958	35,958
Community development	-	19,242	19,242
Unassigned	<u>321,910</u>	<u>-</u>	<u>321,910</u>
 Total fund balance	 <u>349,115</u>	 <u>112,748</u>	 <u>461,863</u>
 Total liabilities and fund balance	 <u>\$ 368,421</u>	 <u>\$ 116,968</u>	 <u>\$ 485,389</u>

See accompanying notes to financial statements

**CITY OF BRONSON**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2013**

Total governmental fund balances		\$ 461,863
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	\$ 2,337,255	
Less accumulated depreciation	<u>(1,309,612)</u>	1,027,643
Certain receivables are not due and collectible in the current period and therefore are not reported in the funds		
		25,340
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Note payable		(42,621)
Compensated absences		(30,000)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities.		
Net position of the internal service funds		<u>356,404</u>
Net position of governmental activities		<u>\$ 1,798,629</u>

See accompanying notes to financial statements

**CITY OF BRONSON**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Taxes	\$ 641,992	\$ 27,061	\$ 669,053
Licenses and permits	10,497	-	10,497
Intergovernmental	250,389	169,559	419,948
Charges for services	65,238	7,657	72,895
Fines and forfeits	12,475	-	12,475
Miscellaneous	<u>3,811</u>	<u>13,030</u>	<u>16,841</u>
 Total revenues	 984,402	 217,307	 1,201,709
<b>EXPENDITURES</b>			
General government	157,397	-	157,397
Public safety	477,638	-	477,638
Public works	214,132	-	214,132
Parks and recreation	47,644	-	47,644
Highways and streets	-	215,916	215,916
Community enrichment, development and services	-	19,341	19,341
Debt service	<u>-</u>	<u>37,422</u>	<u>37,422</u>
 Total expenditures	 <u>896,811</u>	 <u>272,679</u>	 <u>1,169,490</u>
 Excess (deficiency) of revenues over expenditures	 87,591	 (55,372)	 32,219
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	94,200	94,200
Operating transfers out	<u>(74,200)</u>	<u>(20,000)</u>	<u>(94,200)</u>
 Total other financing sources (uses)	 <u>(74,200)</u>	 <u>74,200</u>	 <u>-</u>
 Excess (deficiency) of revenues and other financing sources over expenditures and other uses	 13,391	 18,828	 32,219
 FUND BALANCE - Beginning of year	 <u>335,724</u>	 <u>93,920</u>	 <u>429,644</u>
 FUND BALANCE - End of year	 <u>\$ 349,115</u>	 <u>\$ 112,748</u>	 <u>\$ 461,863</u>

See accompanying notes to financial statements

**CITY OF BRONSON**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds \$ 32,219

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

Governmental funds report capital outlays as expenditures.

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

Expenditures for capital assets	-
Depreciation expense	(81,032)

Government funds report money loaned to another entity as an expense and repayments as income. The loan is reported in the statement of net assets as a long-term receivable. The repayment reduces the long-term receivable.

Increase in long-term receivables	-
Payments received on long-term receivables	(2,600)

Loan proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of assets.

Proceeds from debt obligations	-
Principal payments on debt obligations	33,710

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

Increase in the accrual for compensated absences	-
--	---

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

Net change from internal service funds related to governmental activities	<u>26,677</u>
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Change in net position of governmental activities \$ 8,974

See accompanying notes to financial statements

**CITY OF BRONSON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 12,957	\$ 16,980	\$ 29,937	\$ 282,730
Investments	682,000	794,900	1,476,900	-
Accounts receivable	56,505	37,933	94,438	74
Due from other funds	403	1,098	1,501	12
Prepaid and other assets	6,765	3,653	10,418	481
Total current assets	758,630	854,564	1,613,194	283,297
<b>NONCURRENT ASSETS</b>				
Restricted assets	24,909	-	24,909	-
Capital assets, net of depreciation	2,571,203	777,351	3,348,554	76,061
Total noncurrent assets	2,596,112	777,351	3,373,463	76,061
Total assets	3,354,742	1,631,915	4,986,657	359,358
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Current portion of long-term debt	16,000	-	16,000	-
Accounts payable	11,912	857	12,769	2,804
Accrued and other liabilities	15,115	8,199	23,314	150
Due to other funds	-	-	-	-
Total current liabilities	43,027	9,056	52,083	2,954
<b>NONCURRENT LIABILITIES</b>				
Long-term debt, net of current portion	386,000	-	386,000	-
Total liabilities	429,027	9,056	438,083	2,954
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	2,169,203	777,350	2,946,553	76,061
Restricted for debt service	24,909	-	24,909	-
Unrestricted	731,603	845,509	1,577,112	280,343
Total net position	\$ 2,925,715	\$ 1,622,859	\$ 4,548,574	\$ 356,404

See accompanying notes to financial statements

**CITY OF BRONSON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUE, EXPENSES,**  
**AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2013**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>OPERATING REVENUE</b>				
Charges for services	\$ 346,537	\$ 241,434	\$ 587,971	\$ 174,744
<b>OPERATING EXPENSES</b>				
Operating and administrative	320,487	173,572	494,059	101,387
Depreciation	<u>141,156</u>	<u>59,238</u>	<u>200,394</u>	<u>47,405</u>
Total operating expenses	<u>461,643</u>	<u>232,810</u>	<u>694,453</u>	<u>148,792</u>
<b>OPERATING INCOME (LOSS)</b>	(115,106)	8,624	(106,482)	25,952
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Property taxes	34,867	-	34,867	-
Investment income	2,813	2,849	5,662	725
Other revenue	9,892	7,526	17,418	-
Interest expense	<u>(20,800)</u>	<u>-</u>	<u>(20,800)</u>	<u>-</u>
Total nonoperating revenue (expense)	<u>26,772</u>	<u>10,375</u>	<u>37,147</u>	<u>725</u>
<b>CHANGE IN NET POSITION</b>	(88,334)	18,999	(69,335)	26,677
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>3,014,049</u>	<u>1,603,860</u>	<u>4,617,909</u>	<u>329,727</u>
<b>NET POSITION - ENDING OF YEAR</b>	<u>\$ 2,925,715</u>	<u>\$ 1,622,859</u>	<u>\$ 4,548,574</u>	<u>\$ 356,404</u>

See accompanying notes to financial statements

**CITY OF BRONSON  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2013**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Fund</u>
Cash flows from operating activities				
Receipts from customers	\$ 347,544	\$ 244,818	\$ 592,362	\$ -
Receipts for internal services	-	-	-	174,744
Payments to employees and suppliers	<u>(315,231)</u>	<u>(173,779)</u>	<u>(489,010)</u>	<u>(103,524)</u>
Net cash provided (used) by operating activities	32,313	71,039	103,352	71,220
Cash flows from non-capital financing activities				
Other receipts	9,892	7,526	17,418	-
Cash flows from capital and related financing activities				
Property taxes	34,867	-	34,867	-
Principal paid on debt	(14,000)	-	(14,000)	-
Interest paid on debt	(20,800)	-	(20,800)	-
Acquisition of capital assets	(47,642)	(20,932)	(68,574)	-
Proceeds from sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	(47,575)	(20,932)	(68,507)	-
Cash flows from investing activities				
Interest received on investments	<u>2,919</u>	<u>2,765</u>	<u>5,684</u>	<u>706</u>
Net increase (decrease) in cash	(2,451)	60,398	57,947	71,926
Cash and Cash Equivalents - Beginning of Year	<u>722,317</u>	<u>751,482</u>	<u>1,473,799</u>	<u>210,804</u>
Cash and Cash Equivalents - End of Year	<u>\$ 719,866</u>	<u>\$ 811,880</u>	<u>\$ 1,531,746</u>	<u>\$ 282,730</u>

See accompanying notes to financial statements

**CITY OF BRONSON  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS - Continued  
 YEAR ENDED JUNE 30, 2013**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (115,106)	\$ 8,624	\$ (106,482)	\$ 25,952
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	141,156	59,238	200,394	47,405
(Increase) decrease in:				
Accounts receivable	1,006	3,385	4,391	-
Other current assets	(1,405)	(803)	(2,208)	283
Increase (decrease) in:				
Accounts payable	5,149	146	5,295	(2,420)
Accrued liabilities	1,513	449	1,962	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>\$ 32,313</u>	<u>\$ 71,039</u>	<u>\$ 103,352</u>	<u>\$ 71,220</u>

See accompanying notes to financial statements



**CITY OF BRONSON  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	<u>\$ 5,143</u>
<b>LIABILITIES</b>	
Due to other governmental units	<u>\$ 5,143</u>

See accompanying notes to financial statements

## CITY OF BRONSON

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### **Reporting Entity**

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

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

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

## CITY OF BRONSON

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The City reports the following major funds:

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

**Enterprise Funds**

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

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

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

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

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

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

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The water and sewer funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

**Fiduciary Funds (Not Included in Government-Wide Financial Statements)** - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs.

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

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

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

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

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

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

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

**Capital Assets and Depreciation** - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:



**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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

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

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

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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

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

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

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

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

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

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

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

	<u>Primary Government</u>
Statement of Net Position:	
Cash and investments	\$ 2,213,106
Restricted assets	24,909
Statement of Fiduciary Net Position:	
Cash	<u>5,143</u>
 Total	 <u>\$ 2,243,158</u>
 Deposits and Investments:	
Bank deposits (checking accounts and savings accounts)	\$ 766,008
Certificates of deposit	1,476,900
Cash on hand	<u>250</u>
 Total	 <u>\$ 2,243,158</u>

**Deposits** - The deposits of the City were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$2,250,221. Of that amount, approximately \$1,963,271 was covered by federal depository insurance and \$286,950 was uninsured and uncollateralized.

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

**NOTE 3 - RECEIVABLES**

Receivables in the governmental activities are 84 percent due from other governments and 16 percent accounts receivable. Business-type activities receivables are 99 percent due from customers and 1 percent accrued interest receivable.

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

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables consisted of the following at June 30, 2013:

Fund	Receivable	Fund	Payable
Major Street Fund	\$ 58	General Fund	<u>\$ 1,627</u>
Local Street Fund	55		
Cemetery Fund	1		
Wastewater Fund	403		
Water Fund	1,098		
Motor Pool Fund	<u>12</u>		
Total	<u>\$ 1,627</u>		

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

Transfers consisted of the following for the year ended June 30, 2013:

Fund	Transfers Out	Fund	Transfers In
General	<u>\$ 74,200</u>	Major Street	<u>\$ 10,000</u>
Major Street	<u>20,000</u>	Local Street	<u>63,000</u>
		Fire Sinking	<u>15,200</u>
		Cemetery	<u>6,000</u>
Total Primary Government	<u>\$ 94,200</u>		<u>\$ 94,200</u>

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

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 5 - LONG-TERM RECEIVABLE**

On May 15, 2008, the City of Bronson loaned the Bronson Community Foundation \$38,140 from the Community Development Fund for the purpose of improvements to a building. The loan is non-interest bearing and collectible in monthly installments of \$200 through June 15, 2024.

Long-term receivable at June 30, 2013 \$ 25,340

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013, was as follows:

<u>Primary Government</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2013</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 434,389	\$ -	\$ -	\$ 434,389
Capital assets, being depreciated:				
Land improvements	96,344	-	-	96,344
Buildings and improvements	662,592	-	-	662,592
Machinery and equipment	962,823	-	-	962,823
Vehicles	356,246	-	-	356,246
Streets	<u>482,796</u>	<u>-</u>	<u>-</u>	<u>482,796</u>
Subtotal	2,560,801	-	-	2,560,801
Accumulated depreciation				
Land improvements	44,318	3,854	-	48,172
Buildings and improvements	404,394	14,700	-	419,094
Machinery and equipment	767,844	63,210	-	831,054
Vehicles	295,008	27,362	-	322,370
Streets	<u>251,484</u>	<u>19,312</u>	<u>-</u>	<u>270,796</u>
Subtotal	<u>1,763,048</u>	<u>128,438</u>	<u>-</u>	<u>1,891,486</u>
Net capital assets being depreciated	<u>797,753</u>			<u>669,315</u>
Net capital assets	<u>\$ 1,232,142</u>			<u>\$ 1,103,704</u>

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 6 - CAPITAL ASSETS - Continued**

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance June 30, 2013</u>
Business-Type activities				
Capital assets, not being depreciated:				
Land	\$ 14,655	\$ -	\$ -	\$ 14,655
Capital assets, being depreciated:				
Sewage disposal system	5,929,918	47,642	5,630	5,971,930
Water supply system	<u>1,671,301</u>	<u>20,932</u>	<u>-</u>	<u>1,692,233</u>
Subtotal	7,601,219	68,574	5,630	7,664,163
Accumulated depreciation				
Sewage disposal system	3,268,201	141,156	5,630	3,403,727
Water supply system	<u>867,299</u>	<u>59,238</u>	<u>-</u>	<u>926,537</u>
Subtotal	<u>4,135,500</u>	<u>200,394</u>	<u>5,630</u>	<u>4,330,264</u>
Net capital assets being depreciated	<u>3,465,719</u>			<u>3,333,899</u>
Net capital assets	<u>\$ 3,480,374</u>			<u>\$ 3,348,554</u>

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

Governmental activities:		Business-type activities:	
General government	\$ 48,407	Sanitary Sewer	\$ 141,156
Public safety	50,367	Water	<u>59,238</u>
Public works	23,952		
Parks and recreation	<u>5,712</u>		
Total	<u>\$ 128,438</u>	Total	<u>\$ 200,394</u>

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 - LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Current Portion
<b>Governmental Activities</b>					
Note payable - fire equipment	\$ 76,331	\$ -	\$ 33,710	\$ 42,621	\$ 13,179
Compensated absences	30,000	-	-	30,000	-
	106,331	-	33,710	72,621	13,179
<b>Business-Type Activities</b>					
General obligation bonds	416,000	-	14,000	402,000	16,000
Total Primary Government Long-Term Debt	\$ 522,331	\$ -	\$ 47,710	\$ 474,621	\$ 29,179

Long-term debt payable at June 30, 2013, consisted of the following individual issues:

**Governmental Activities**

Note payable for purchase of 2001 Pierce Dash rescue pumper truck, down payment of \$96,500 and monthly payments of \$2,201 through August 26, 2015; including interest at 4.29%	\$ 42,621
Long-term compensated absences	30,000
Total Governmental Activities Long-Term Liabilities	72,621

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 - LONG-TERM DEBT - Continued**

**Business-Type Activities**

\$590,000 - 1993 Sewage Disposal System Improvement Bonds, due in annual installments of \$5,000 to \$23,000 through April 1, 2033; interest at 5.0% 402,000

Total Primary Government Long-Term Debt \$ 474,621

**Debt Service Requirements**

The annual requirements to service all debt outstanding as of June 30, 2013 (excluding compensated absences), including both principal and interest, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 13,179	\$ 20,100	\$ 15,409
2015	25,653	763	26,416
2016	<u>3,789</u>	<u>19</u>	<u>3,808</u>
Total	<u>\$ 42,621</u>	<u>\$ 3,012</u>	<u>\$ 45,633</u>

	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 16,000	\$ 20,100	\$ 36,100
2015	16,000	19,300	35,300
2016	17,000	18,500	35,500
2017	17,000	17,650	34,650
2018	18,000	16,800	34,800
2019-2023	96,000	70,150	166,150
2024-2028	108,000	44,850	152,850
2029-2033	<u>114,000</u>	<u>17,200</u>	<u>131,200</u>
Total	<u>\$ 402,000</u>	<u>\$ 224,550</u>	<u>\$ 626,550</u>



**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 8 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9 - RETIREMENT PLAN**

Effective July 1, 1996, the City established a defined contribution retirement plan which covers substantially all City employees except police officers. The City contributes 6.5% of compensation. For the year ended June 30, 2013, pension expense was \$27,791.

Effective July 1, 1997, the City's police officers began participating in an agent multi employer-defined pension plan with the Municipal Employee's Retirement System (MERS), administered by the State of Michigan. For the year ended June 30, 2013, pension expense was \$11,927.

**NOTE 10 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

During the year ended June 30, 2013, the City incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF BRONSON**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>REVENUES</b>				
Taxes	\$ 635,726	\$ 641,693	\$ 641,992	\$ 299
Licenses and permits	9,750	10,422	10,497	75
Intergovernmental	242,804	228,310	250,389	22,079
Charges for services	62,500	61,546	65,238	3,692
Fines and forfeits	10,500	11,848	12,475	627
Miscellaneous	<u>6,350</u>	<u>4,338</u>	<u>3,811</u>	<u>(527)</u>
 Total revenues	 967,630	 958,157	 984,402	 26,245
<b>EXPENDITURES</b>				
General government	165,067	165,113	157,397	7,716
Public safety	513,717	482,869	477,638	5,231
Public works	193,535	223,480	214,132	9,348
Parks and recreation	<u>42,406</u>	<u>47,413</u>	<u>47,644</u>	<u>(231)</u>
 Total expenditures	 <u>914,725</u>	 <u>918,875</u>	 <u>896,811</u>	 <u>22,064</u>
 Excess (deficiency) of revenues over expenditures	 52,905	 39,282	 87,591	 48,309
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(105,500)</u>	<u>(69,200)</u>	<u>(74,200)</u>	<u>(5,000)</u>
 Total other financing sources (uses)	 <u>(105,500)</u>	 <u>(69,200)</u>	 <u>(74,200)</u>	 <u>(5,000)</u>
 Excess (deficiency) of revenues over expenditures and other uses	 (52,595)	 (29,918)	 13,391	 43,309
 FUND BALANCE - Beginning of year	 <u>335,724</u>	 <u>335,724</u>	 <u>335,724</u>	 <u>-</u>
 FUND BALANCE - End of year	 <u>\$ 283,129</u>	 <u>\$ 305,806</u>	 <u>\$ 349,115</u>	 <u>\$ 43,309</u>

See accompanying notes to financial statements

**OTHER SUPPLEMENTAL INFORMATION**

**CITY OF BRONSON**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2013**

	Major Street	Local Street	Fire Sinking	Cemetery
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,616	\$ 5,614	\$ 5,574	\$ 7,639
Accounts receivable	-	-	-	-
Due from other funds	58	55	-	1
Due from other governments	20,651	7,257	-	-
Prepaid and other assets	2,772	2,566	-	155
 Total assets	 \$ 39,097	 \$ 15,492	 \$ 5,574	 \$ 7,795
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 20	\$ -	\$ 1,350
Accrued and other liabilities	1,500	1,250	-	100
Due to other funds	-	-	-	-
 Total liabilities	 1,500	 1,270	 -	 1,450
 <b>FUND BALANCE</b>				
Nonspendable:				
Prepaid expenditures	2,772	2,566	-	155
Restricted for:				
Streets	34,825	11,656	-	-
Committed for:				
Fire protection equipment	-	-	5,574	-
Cemetery	-	-	-	6,190
Community development	-	-	-	-
 Total fund balance	 37,597	 14,222	 5,574	 6,345
 Total liabilities and fund balance	 \$ 39,097	 \$ 15,492	 \$ 5,574	 \$ 7,795

<u>Cemetery Redevelopment Fund</u>	<u>Cemetery Perpetual Care</u>	<u>Community Development Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 10,684	\$ 19,084	\$ 19,242	\$ 83,453
-	-	-	-
-	-	-	114
-	-	-	27,908
-	-	-	5,493
<u>\$ 10,684</u>	<u>\$ 19,084</u>	<u>\$ 19,242</u>	<u>\$ 116,968</u>
\$ -	\$ -	\$ -	\$ 1,370
-	-	-	2,850
-	-	-	-
-	-	-	4,220
-	-	-	5,493
-	-	-	46,481
-	-	-	5,574
10,684	19,084	-	35,958
-	-	19,242	19,242
<u>10,684</u>	<u>19,084</u>	<u>19,242</u>	<u>112,748</u>
<u>\$ 10,684</u>	<u>\$ 19,084</u>	<u>\$ 19,242</u>	<u>\$ 116,968</u>

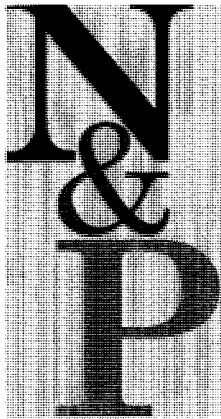
**CITY OF BRONSON**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013**

	Major Street	Local Street	Fire Sinking	Cemetery
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 27,061	\$ -
Intergovernmental	125,725	43,834	-	-
Charges for services	-	-	-	7,657
Miscellaneous	26	17	15	15
Total revenues	125,751	43,851	27,076	7,672
<b>EXPENDITURES</b>				
Highways and streets	111,151	104,765	-	-
Community enrichment, development and services	-	-	-	15,326
Debt service	-	-	37,422	-
Total expenditures	111,151	104,765	37,422	15,326
Excess (deficiency) of revenues over expenditures	14,600	(60,914)	(10,346)	(7,654)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	10,000	63,000	15,200	6,000
Operating transfers out	(20,000)	-	-	-
Total other financing sources (uses)	(10,000)	63,000	15,200	6,000
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	4,600	2,086	4,854	(1,654)
FUND BALANCE - Beginning of year	32,997	12,136	720	7,999
FUND BALANCE - End of year	\$ 37,597	\$ 14,222	\$ 5,574	\$ 6,345

<u>Cemetery Redevelopment Fund</u>	<u>Cemetery Perpetual Care</u>	<u>Community Development Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 27,061
-	-	-	169,559
-	-	-	7,657
<u>2,858</u>	<u>1,403</u>	<u>8,696</u>	<u>13,030</u>
2,858	1,403	8,696	217,307
-	-	-	215,916
-	-	4,015	19,341
<u>-</u>	<u>-</u>	<u>-</u>	<u>37,422</u>
<u>-</u>	<u>-</u>	<u>4,015</u>	<u>272,679</u>
2,858	1,403	4,681	(55,372)
-	-	-	94,200
<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>74,200</u>
2,858	1,403	4,681	18,828
<u>7,826</u>	<u>17,681</u>	<u>14,561</u>	<u>93,920</u>
<u>\$ 10,684</u>	<u>\$ 19,084</u>	<u>\$ 19,242</u>	<u>\$ 112,748</u>





**Norman & Paulsen, P.C.**  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 25, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify two deficiencies in internal control that we consider to be material weaknesses. However, other material weaknesses may exist that have not been identified. We consider the deficiencies described below as 2007-1 and 2007-2 to be material weaknesses.

Patrick L. Monahan, CPA  
Bruce S. A. Gosling, CPA, CVA  
Michael R. Wilson, CPA  
Ricky L. Strawser, CPA  
Donald L. Paulsen, Retired  
Jerrel T. Norman (1941-1982)

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

- Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).
- Condition:** As is the case with many smaller and medium-sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.
- Cause:** This condition was caused by management's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
- Effect:** As a result of this condition, the City lacks internal control over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
- View of Responsible Officials:** Management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

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

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

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

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

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

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

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

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

### **Compliance and Other Matters**

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

### **City of Bronson Responses to Finding**

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

### **Purpose of the Report**

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

*Norman & Paulson, P.C.*

October 25, 2013