

**CITY OF BRONSON  
BRANCH COUNTY, MICHIGAN**

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

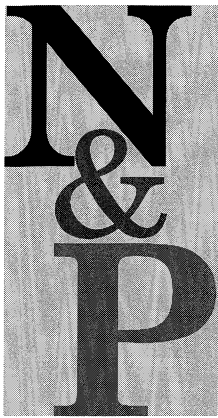
**JUNE 30, 2015**

**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, 2015, 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.

## 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, 2015, 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.

## Emphasis of Matter – Change in Accounting Principle

As discussed in Note 13 to the financial statements, the City of Bronson implemented Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*; Statement No. 68, *Accounting and Financial Reporting for Pensions*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Accordingly, beginning net position of governmental activities and business type activities was restated. Our opinion is not modified with respect to that matter.

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

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

## Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015, 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.

December 4, 2015

Norman & 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, 2015. Please read it in conjunction with the City's financial statements.

#### **Financial Highlights**

The City's overall financial position decreased by \$168,442 during the fiscal year ended June 30, 2015, which represents 2.9 percent of the net position at the beginning of the year. Included in the City's total net position of \$5,582,191 are the Sewage Disposal System Fund net position of \$2,624,013 and the Water Supply System Fund net position of \$1,559,160. The Sewage Disposal System's net position decreased by \$123,423 and the Water Supply System's net position decreased by \$4,304.

The City's Governmental Funds reflected a total fund balance at June 30, 2015 of \$516,864, which was a decrease of \$13,523 from the prior year end.

The total Governmental Fund expenditures for the year ended June 30, 2015, amounted to \$1,238,164, of which \$476,855 (39 percent) was for public safety and \$480,189 (39 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	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets	\$ 583	\$ 604	\$ 4,810	\$ 4,935
Deferred Outflows of Resources	-	-	12	13
Liabilities	34	36	639	637
Deferred Inflows of Resources	32	38	-	-
Fund Equity				
Invested in capital assets, net of related debt	-	-	2,624	2,798
Retained Earnings				
Restricted	-	-	25	25
Unreserved	-	-	1,534	1,488
Fund Balances				
Nonspendable	28	49	-	-
Restricted	58	104	-	-
Committed	80	63	-	-
Unassigned	<u>351</u>	<u>314</u>	<u>-</u>	<u>-</u>
Total Fund Equity	<u>\$ 517</u>	<u>\$ 530</u>	<u>\$ 4,183</u>	<u>\$ 4,311</u>



# CITY OF BRONSON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's governmental fund equity decreased by 2.5 percent or \$13,523 from a year ago. In contrast the prior year's governmental fund equity increased by 14.8 percent or \$68,524.

The City's enterprise fund equity decreased by 3.0 percent or \$127,727 from a year ago. In contrast the prior year's enterprise fund equity decreased by 1.0 percent or \$47,160.

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	
	2015	2014	2015	2014
Current and other assets	\$ 864	\$ 960	\$ 1,822	\$ 1,750
Capital assets	<u>1,042</u>	<u>979</u>	<u>2,988</u>	<u>3,185</u>
Total assets	1,906	1,939	4,810	4,935
Deferred pension amounts	<u>24</u>	<u>27</u>	<u>12</u>	<u>13</u>
Total deferred outflows of resources	24	27	12	13
Long-term debt outstanding	-	16	370	386
Net pension liability	464	447	231	203
Other liabilities	<u>67</u>	<u>63</u>	<u>38</u>	<u>48</u>
Total liabilities	531	526	639	637
Net position				
Invested in capital assets, net of related debt	1,042	963	2,618	2,798
Restricted	62	111	25	25
Unrestricted	<u>295</u>	<u>366</u>	<u>1,540</u>	<u>1,488</u>
Total net position	<u>\$ 1,399</u>	<u>\$ 1,440</u>	<u>\$ 4,183</u>	<u>\$ 4,311</u>

# 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	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue				
Property taxes	\$ 645	\$ 650	\$ 35	\$ 36
Licenses and permits	11	11	-	-
Intergovernmental	455	443	-	-
Charges for services	75	71	601	593
Fines and forfeits	15	14	-	-
Other	24	22	22	20
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	1,225	1,211	658	649
Program expenses				
General government	186	193	-	-
Public safety	477	490	-	-
Public works	182	175	-	-
Parks and recreation	63	51	-	-
Highways and streets	298	189	-	-
Community development	16	16	-	-
Debt service	16	29	-	-
Sewer system	-	-	387	308
Water system	-	-	183	171
Depreciation	-	-	197	197
Interest expense	<u>-</u>	<u>-</u>	<u>19</u>	<u>20</u>
Total expenses	<u>1,238</u>	<u>1,143</u>	<u>786</u>	<u>696</u>
Excess (deficit)	<u>\$ (13)</u>	<u>\$ 68</u>	<u>\$ (128)</u>	<u>\$ (47)</u>

# 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	
	2015	2014	2015	2014
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 139	\$ 119	\$ 601	\$ 593
Operating grants and contributions	200	196	-	-
Capital grants and contributions	30	-	-	-
General revenues				
Property taxes	645	650	35	36
State shared revenues	266	259	-	-
Unrestricted investment earnings	2	3	6	3
Miscellaneous	<u>24</u>	<u>28</u>	<u>16</u>	<u>17</u>
Total revenues	1,306	1,255	658	649
<b>Expenses</b>				
General government	341	323	-	-
Public safety	509	505	-	-
Public works	434	307	-	-
Parks and recreation	62	56	-	-
Interest on long-term debt	1	2	-	-
Sewer system	-	-	544	466
Water system	<u>-</u>	<u>-</u>	<u>242</u>	<u>230</u>
Total expenses	<u>1,347</u>	<u>1,193</u>	<u>786</u>	<u>696</u>
Change in net position	<u>\$ (41)</u>	<u>\$ 62</u>	<u>\$ (128)</u>	<u>\$ (47)</u>

### The City's Funds

Our analysis of the City's major funds begins on page 12, 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, 2015 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 \$16,359 in the original budget and an increase of \$27,629 in the amended budget. Actual operating results ended up as an increase of \$21,802.

The actual results ended the fiscal year within \$5,827 of the amended budget.

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

During the year ended June 30, 2015, the total capital assets of the City increased by \$177,239. This amount was comprised of a police vehicle in the amount of \$49,350, which was funded by a \$12,000 grant and \$37,350 Motor Pool funds and a dump truck in the amount of \$127,889, which was funded by a \$18,000 grant and \$109,889 Motor Pool funds.

During the year ended June 30, 2015, the City incurred no additional long-term debt borrowings and made principal payments of \$31,813. Total debt obligations at June 30, 2015, amounted to \$370,000.

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

Government-wide, balanced budgets are anticipated due to the extensive cost cutting of previous years, while the future appears more stable with a smaller workforce and better capital planning. The 2015-2016 budget was adopted with a \$21,644 projected surplus of revenues over expenditures in the government-type funds, and to essentially break even in the business-type funds and the internal service fund.

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

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

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

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

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

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF BRONSON**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 763,827	\$ 1,692,392	\$ 2,456,219
Receivables, net	40,010	90,281	130,291
Internal balances	(534)	534	-
Prepaid and other assets	28,665	13,858	42,523
Restricted assets	-	25,264	25,264
Loans receivable, net	31,809	-	31,809
Capital assets, net	<u>1,042,375</u>	<u>2,987,567</u>	<u>4,029,942</u>
Total assets	1,906,152	4,809,896	6,716,048
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension amounts	23,653	11,756	35,409
<b>LIABILITIES</b>			
Accounts payable	23,445	7,513	30,958
Accrued and other liabilities	18,132	30,506	48,638
Debt obligations:			
Due within one year	-	17,000	17,000
Due in more than one year	-	353,000	353,000
Compensated absences	25,500	-	25,500
Net pension liability	<u>463,710</u>	<u>230,460</u>	<u>694,170</u>
Total liabilities	<u>530,787</u>	<u>638,479</u>	<u>1,169,266</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,042,375	2,617,567	3,659,942
Restricted for:			
Public safety	11,280	-	11,280
Streets	50,660	-	50,660
Debt service	-	25,264	25,264
Unrestricted	<u>294,703</u>	<u>1,540,342</u>	<u>1,835,045</u>
Total net position	<u>\$ 1,399,018</u>	<u>\$ 4,183,173</u>	<u>\$ 5,582,191</u>

See accompanying notes to financial statements

# CITY OF BRONSON

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

<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	\$ 341,162	\$ 122,544	\$ 7,654	\$ 30,000
Public safety	509,289	15,286	2,882	-
Public works	433,729	-	189,000	-
Parks and recreation	62,398	1,645	-	-
Interest on long-term debt	<u>503</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	1,347,081	139,475	199,536	30,000
Business-type activities:				
Sanitary sewer	544,674	372,709	-	-
Water	<u>242,091</u>	<u>228,429</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>786,765</u>	<u>601,138</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,133,846</u>	<u>\$ 740,613</u>	<u>\$ 199,536</u>	<u>\$ 30,000</u>

### General revenues:

Property taxes  
State shared revenues  
Unrestricted investment earnings  
Miscellaneous

Total general revenues

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR - AS RESTATED

NET POSITION - END OF YEAR

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (180,964)	\$ -	\$ (180,964)
(491,121)	-	(491,121)
(244,729)	-	(244,729)
(60,753)	-	(60,753)
<u>(503)</u>	<u>-</u>	<u>(503)</u>
(978,070)	-	(978,070)
-	(171,965)	(171,965)
<u>-</u>	<u>(13,662)</u>	<u>(13,662)</u>
<u>-</u>	<u>(185,627)</u>	<u>(185,627)</u>
(978,070)	(185,627)	(1,163,697)
645,063	35,473	680,536
265,870	-	265,870
2,096	6,011	8,107
<u>24,326</u>	<u>16,416</u>	<u>40,742</u>
<u>937,355</u>	<u>57,900</u>	<u>995,255</u>
(40,715)	(127,727)	(168,442)
<u>1,439,733</u>	<u>4,310,900</u>	<u>5,750,633</u>
<u>\$ 1,399,018</u>	<u>\$ 4,183,173</u>	<u>\$ 5,582,191</u>



## **FUND FINANCIAL STATEMENTS**

**CITY OF BRONSON**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 378,881	\$ 104,279	\$ 483,160
Accounts receivable	11,587	-	11,587
Due from other funds	-	85	85
Due from other governments	-	28,425	28,425
Prepaid and other assets	21,716	5,917	27,633
Loans receivable	<u>-</u>	<u>31,809</u>	<u>31,809</u>
 Total assets	 <u>\$ 412,184</u>	 <u>\$ 170,515</u>	 <u>\$ 582,699</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 11,907	\$ 3,510	\$ 15,417
Accrued and other liabilities	15,132	2,850	17,982
Due to other funds	<u>627</u>	<u>-</u>	<u>627</u>
 Total liabilities	 27,666	 6,360	 34,026
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable rehab project revenues	-	31,809	31,809
 <b>FUND BALANCE</b>			
Nonspendable:			
Prepaid expenditures	21,716	5,917	27,633
Restricted for:			
Public safety	11,280	-	11,280
Streets	-	46,824	46,824
Committed for:			
Fire protection equipment	-	11,477	11,477
Cemetery	-	37,132	37,132
Community development	-	30,996	30,996
Unassigned	<u>351,522</u>	<u>-</u>	<u>351,522</u>
 Total fund balance	 <u>384,518</u>	 <u>132,346</u>	 <u>516,864</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 412,184</u>	 <u>\$ 170,515</u>	 <u>\$ 582,699</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, 2015**

Total governmental fund balances \$ 516,864

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	\$ 2,337,256	
Less accumulated depreciation	<u>(1,471,346)</u>	865,910

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

Deferred long-term receivables	31,809
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences	(25,500)
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Certain pension-related amounts, such as net pension liability and deferred amounts, are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(455,161)
Deferred outflows related to the net pension liability	23,217

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>441,879</u>
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Net position of governmental activities	<u>\$ 1,399,018</u>
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See accompanying notes to financial statements

**CITY OF BRONSON**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 619,998	\$ 25,065	\$ 645,063
Licenses and permits	10,536	-	10,536
Intergovernmental	265,870	189,000	454,870
Charges for services	68,267	6,837	75,104
Fines and forfeits	15,286	-	15,286
Miscellaneous	<u>11,917</u>	<u>11,865</u>	<u>23,782</u>
Total revenues	991,874	232,767	1,224,641
<b>EXPENDITURES</b>			
General government	186,314	-	186,314
Public safety	476,855	-	476,855
Public works	182,291	-	182,291
Parks and recreation	62,612	-	62,612
Highways and streets	-	297,898	297,898
Community enrichment, development and services	-	15,879	15,879
Debt service	<u>-</u>	<u>16,315</u>	<u>16,315</u>
Total expenditures	<u>908,072</u>	<u>330,092</u>	<u>1,238,164</u>
Excess (deficiency) of revenues over expenditures	83,802	(97,325)	(13,523)
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	62,000	62,000
Operating transfers out	<u>(62,000)</u>	<u>-</u>	<u>(62,000)</u>
Total other financing sources (uses)	<u>(62,000)</u>	<u>62,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	21,802	(35,325)	(13,523)
FUND BALANCE - Beginning of year	<u>362,716</u>	<u>167,671</u>	<u>530,387</u>
FUND BALANCE - End of year	<u>\$ 384,518</u>	<u>\$ 132,346</u>	<u>\$ 516,864</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, 2015

Net change in fund balances - total governmental funds \$ (13,523)

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	(80,866)

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

Change in rehab projects receivables	(5,855)
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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	15,813

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

Change in the accrual for compensated absences	(2,500)
Change in the net pension liability and related deferred amounts	(19,491)

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>65,707</u>
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Change in net position of governmental activities	<u>\$ (40,715)</u>
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See accompanying notes to financial statements

**CITY OF BRONSON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 21,320	\$ 16,272	\$ 37,592	\$ 280,667
Investments	761,300	893,500	1,654,800	-
Accounts receivable	57,175	33,106	90,281	-
Due from other funds	403	131	534	8
Prepaid and other assets	<u>4,647</u>	<u>9,211</u>	<u>13,858</u>	<u>1,032</u>
Total current assets	844,845	952,220	1,797,065	281,707
<b>NONCURRENT ASSETS</b>				
Restricted assets	25,264	-	25,264	-
Capital assets, net of depreciation	<u>2,294,639</u>	<u>692,928</u>	<u>2,987,567</u>	<u>176,463</u>
Total noncurrent assets	<u>2,319,903</u>	<u>692,928</u>	<u>3,012,831</u>	<u>176,463</u>
Total assets	3,164,748	1,645,148	4,809,896	458,170
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension amounts	8,097	3,659	11,756	436
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	6,885	628	7,513	8,028
Accrued and other liabilities	13,211	17,295	30,506	150
Current portion of long-term debt	17,000	-	17,000	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	37,096	17,923	55,019	8,178
<b>NONCURRENT LIABILITIES</b>				
Long-term debt, net of current portion	353,000	-	353,000	-
Net pension liability	<u>158,736</u>	<u>71,724</u>	<u>230,460</u>	<u>8,549</u>
Total noncurrent liabilities	<u>511,736</u>	<u>71,724</u>	<u>583,460</u>	<u>8,549</u>
Total liabilities	<u>548,832</u>	<u>89,647</u>	<u>638,479</u>	<u>16,727</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	1,924,639	692,928	2,617,567	176,463
Restricted for debt service	25,264	-	25,264	-
Unrestricted	<u>674,110</u>	<u>866,232</u>	<u>1,540,342</u>	<u>265,416</u>
Total net position	<u>\$ 2,624,013</u>	<u>\$ 1,559,160</u>	<u>\$ 4,183,173</u>	<u>\$ 441,879</u>

See accompanying notes to financial statements

**CITY OF BRONSON**

**PROPRIETARY FUNDS**

**STATEMENT OF REVENUES, EXPENSES,**

**AND CHANGES IN NET POSITION**

**YEAR ENDED JUNE 30, 2015**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
<b>OPERATING REVENUE</b>				
Charges for services	\$ 372,709	\$ 228,429	\$ 601,138	\$ 155,190
<b>OPERATING EXPENSES</b>				
Operating and administrative	387,157	183,270	570,427	109,560
Depreciation	<u>138,217</u>	<u>58,821</u>	<u>197,038</u>	<u>23,751</u>
Total operating expenses	<u>525,374</u>	<u>242,091</u>	<u>767,465</u>	<u>133,311</u>
<b>OPERATING INCOME (LOSS)</b>	(152,665)	(13,662)	(166,327)	21,879
<b>NONOPERATING REVENUE (EXPENSES)</b>				
Property taxes	35,473	-	35,473	-
Investment income	3,124	2,887	6,011	932
Other revenue	9,945	6,471	16,416	12,896
Interest expense	<u>(19,300)</u>	<u>-</u>	<u>(19,300)</u>	<u>-</u>
Total nonoperating revenue (expense)	29,242	9,358	38,600	13,828
<b>CAPITAL CONTRIBUTIONS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
<b>CHANGE IN NET POSITION</b>	(123,423)	(4,304)	(127,727)	65,707
<b>NET POSITION - BEGINNING OF YEAR - AS RESTATED</b>	<u>2,747,436</u>	<u>1,563,464</u>	<u>4,310,900</u>	<u>376,172</u>
<b>NET POSITION - ENDING OF YEAR</b>	<u>\$ 2,624,013</u>	<u>\$ 1,559,160</u>	<u>\$ 4,183,173</u>	<u>\$ 441,879</u>

See accompanying notes to financial statements

**CITY OF BRONSON  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2015**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 373,841	\$ 229,361	\$ 603,202	\$ -
Receipts for internal services	-	-	-	155,190
Payments to employees and suppliers	<u>(364,234)</u>	<u>(183,326)</u>	<u>(547,560)</u>	<u>(97,754)</u>
Net cash provided (used) by operating activities	9,607	46,035	55,642	57,436
Cash flows from non-capital financing activities				
Other receipts	9,945	6,471	16,416	-
Cash flows from capital and related financing activities				
Property taxes	35,473	-	35,473	-
Principal paid on debt	(16,000)	-	(16,000)	-
Interest paid on debt	(19,300)	-	(19,300)	-
Acquisition of capital assets	-	-	-	(177,239)
Proceeds from sale of assets	-	-	-	22,411
Receipts from capital grants/ contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Net cash provided (used) by capital and related financing activities	173	-	173	(124,828)
Cash flows from investing activities				
Interest received on investments	<u>3,124</u>	<u>2,887</u>	<u>6,011</u>	<u>932</u>
Net increase (decrease) in cash	22,849	55,393	78,242	(66,460)
Cash and Cash Equivalents - Beginning of Year	<u>785,035</u>	<u>854,379</u>	<u>1,639,414</u>	<u>347,127</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 807,884</u></u>	<u><u>\$ 909,772</u></u>	<u><u>\$ 1,717,656</u></u>	<u><u>\$ 280,667</u></u>

See accompanying notes to financial statements



**CITY OF BRONSON  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS - Continued  
YEAR ENDED JUNE 30, 2015**

	Sewage Disposal System Fund	Water Supply System Fund	Total	Motor Pool Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (152,665)	\$ (13,662)	\$ (166,327)	\$ 21,879
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	138,217	58,821	197,038	23,751
(Increase) decrease in:				
Accounts receivable	1,132	932	2,064	-
Other current assets	8,353	(3,935)	4,418	8,184
Deferred pension amounts	1,015	458	1,473	55
Increase (decrease) in:				
Accounts payable	(7,877)	(8,074)	(15,951)	3,497
Accrued liabilities	(860)	7,070	6,210	-
Due to other funds	-	-	-	-
Net pension liability	<u>22,292</u>	<u>4,425</u>	<u>26,717</u>	<u>70</u>
Net cash provided by (used for) operating activities	<u>\$ 9,607</u>	<u>\$ 46,035</u>	<u>\$ 55,642</u>	<u>\$ 57,436</u>

See accompanying notes to financial statements

**CITY OF BRONSON  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	<u>\$ 218</u>
<b>LIABILITIES</b>	
Due to other governmental units	<u>\$ 218</u>

See accompanying notes to financial statements

## **CITY OF BRONSON**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

#### **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, 2015

#### 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, 2015

#### 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, 2015

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

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

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

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

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

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

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

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

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

## CITY OF BRONSON

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

#### 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, 2015**

#### **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 or 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, 2015

#### 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:

	<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

## CITY OF BRONSON

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

**Deferred Outflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City's deferred outflows of resources are related to the net pension liability. More detailed information can be found in Note 8.

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

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

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

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

**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.

## CITY OF BRONSON

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

#### 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, 2015

#### 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	\$ 2,456,219
Restricted assets	25,264
Statement of Fiduciary Net Position:	
Cash	<u>218</u>
 Total	 <u><u>\$ 2,481,701</u></u>
 Deposits and Investments:	
Bank deposits (checking accounts and savings accounts)	\$ 826,651
Certificates of deposit	1,654,800
Cash on hand	<u>250</u>
 Total	 <u><u>\$ 2,481,701</u></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 \$2,483,986. Of that amount, approximately \$2,072,336 was covered by federal depository insurance and \$411,650 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 71 percent due from other governments and 29 percent accounts receivable. Business-type activities receivables are 100 percent due from customers.

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

# CITY OF BRONSON

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

Interfund receivables and payables consisted of the following at June 30, 2015:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Major Street Fund	\$ 33	General Fund	<u>\$ 627</u>
Local Street Fund	50		
Cemetery Fund	2		
Wastewater Fund	403		
Water Fund	131		
Motor Pool Fund	<u>8</u>		
Total	<u>\$ 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, 2015:

<u>Transfers Fund</u>	<u>Transfers Out</u>	<u>Fund</u>	<u>In</u>
General	<u>\$ 62,000</u>	Local Street	\$ 55,000
		Cemetery	<u>7,000</u>
	<u>62,000</u>		<u>62,000</u>
Major Street	<u>-</u>	Local Street	<u>-</u>
Total Primary Government	<u>\$ 62,000</u>		<u>\$ 62,000</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, 2015

### NOTE 5 - LOANS RECEIVABLE

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

Loans receivable at June 30, 2015 \$ 31,809

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

### NOTE 6 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015, was as follows:

<u>Primary Government</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</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	962,245	-	41,800	920,445
Vehicles	356,246	177,239	62,043	471,442
Streets	482,796	-	-	482,796
Subtotal	2,560,223	177,239	103,843	2,633,619
Accumulated depreciation				
Land improvements	52,026	3,853	-	55,879
Buildings and improvements	433,795	14,700	-	448,495
Machinery and equipment	898,318	49,344	32,286	915,376
Vehicles	341,100	17,407	62,043	296,464
Streets	290,108	19,311	-	309,419
Subtotal	2,015,347	104,615	94,329	2,025,633
Net capital assets being depreciated	<u>544,876</u>			<u>607,986</u>
Net capital assets	<u>\$ 979,265</u>			<u>\$ 1,042,375</u>

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 6 - CAPITAL ASSETS – Continued**

	Balance July 1, 2014	<u>Additions</u>	Disposals/ Transfers	Balance June 30, 2015
Business-Type activities				
Capital assets, not being depreciated:				
Land	\$ 14,655	\$ -	\$ -	\$ 14,655
Capital assets, being depreciated:				
Sewage disposal system	5,970,929	-	-	5,970,929
Water supply system	<u>1,702,895</u>	<u>-</u>	<u>-</u>	<u>1,702,895</u>
Subtotal	7,673,824	-	-	7,673,824
Accumulated depreciation				
Sewage disposal system	3,541,073	138,217	-	3,679,290
Water supply system	<u>962,801</u>	<u>58,821</u>	<u>-</u>	<u>1,021,622</u>
Subtotal	<u>4,503,874</u>	<u>197,038</u>	<u>-</u>	<u>4,700,912</u>
Net capital assets being depreciated	<u>3,169,950</u>			<u>2,972,912</u>
Net capital assets	<u>\$ 3,184,605</u>			<u>\$ 2,987,567</u>

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

Governmental activities:

Business-type activities:

General government	\$ 24,751	Sanitary Sewer	\$ 138,217
Public safety	50,200	Water	<u>58,821</u>
Public works	23,952		
Parks and recreation	<u>5,712</u>		
Total	<u>\$ 104,615</u>	Total	<u>\$ 197,038</u>

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 7 - LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
<b>Governmental Activities</b>					
Note payable - fire equipment	\$ 15,813	\$ -	\$ 15,813	\$ -	\$ -
Compensated absences	<u>23,000</u>	<u>2,500</u>	<u>-</u>	<u>25,500</u>	<u>-</u>
	38,813	2,500	15,813	25,500	-
<b>Business-Type Activities</b>					
General obligation bonds	<u>386,000</u>	<u>-</u>	<u>16,000</u>	<u>370,000</u>	<u>17,000</u>
Total Primary Government Long-Term Debt	<u>\$ 424,813</u>	<u>\$ 2,500</u>	<u>\$ 31,813</u>	<u>\$ 395,500</u>	<u>\$ 17,000</u>

Long-term debt payable at June 30, 2015, consisted of the following individual issues:

**Governmental Activities**

Long-term compensated absences \$ 25,500

**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% 370,000

Total Primary Government Long-Term Debt \$ 395,500



**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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

**Debt Service Requirements**

The annual requirements to service all debt outstanding as of June 30, 2015 (excluding compensated absences), including both principal and interest, are as follows:

	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 17,000	\$ 18,500	\$ 35,500
2017	17,000	17,650	34,650
2018	18,000	16,800	34,800
2019	18,000	15,900	33,900
2020	19,000	15,000	34,000
2021-2025	101,000	60,400	161,400
2026-2030	111,000	34,000	145,000
2031-2033	<u>69,000</u>	<u>6,900</u>	<u>75,900</u>
Total	<u>\$ 370,000</u>	<u>\$ 185,150</u>	<u>\$ 555,150</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](http://www.mersofmich.com).

**Benefits Provided** - Pension benefits vary by division. Benefits provided include plans with multipliers of 1.50%. The vesting period is 10 years. Normal retirement age is 60 with 10 years of service. There is a second option for unreduced benefits at age 55 with 20 years of service for police officers. There is also early retirement with reduced benefits at age 50 with 25 years of service or at age 55 with 15 years of service. Final average compensation is calculated on 5 years. Member contributions range from 7.22% to 7.97%.

## CITY OF BRONSON

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

#### NOTE 8 - DEFINED BENEFIT PENSION PLAN - Continued

**Employees Covered by Benefit Terms** - At December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>13</u>
Total employees covered by MERS	<u>20</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 were 6.50% based on annual payroll for open divisions.

**Net Pension Liability** - The employer's Net Pension Liability was measured as of December 31, 2014, 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, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3% - 4%	
Salary increases	4.5%	in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)
Investment rate of return	8.0%	net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013).

# CITY OF BRONSON

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### NOTE 8 - DEFINED BENEFIT PENSION PLAN - Continued

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money-Weighted Rate of Return</u>
Global Equity	57.50%	5.02%	2.89%
Global Fixed Income	20.00%	2.18%	0.44%
Real Assets	12.50%	4.23%	0.52%
Diversifying Strategies	<u>10.00%</u>	6.56%	0.66%
	<u>100.00%</u>		
Inflation			3.50%
Administrative Expenses			
Netted Above			<u>0.25%</u>
Investment Rate of Return			<u>8.25%</u>

**Discount Rate** - The discount rate used to measure the total pension liability is 8.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN - Continued**

**Changes in Net Pension Liability**

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

	Total Pension Liability <u>(a)</u>	Increase (Decrease) Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) - (b)</u>
Balances at December 31, 2013	\$ 1,749,886	\$ 1,099,084	\$ 650,802
Changes for the year:			
Service cost	42,986	-	42,986
Interest	143,063	-	143,063
Employer contributions	-	38,729	(38,729)
Employee contributions	-	36,616	(36,616)
Net investment income	-	69,909	(69,909)
Benefit payments, including refunds of employee contributions	(74,562)	(74,562)	-
Administrative expense	<u>-</u>	<u>(2,573)</u>	<u>2,573</u>
Net changes	<u>111,487</u>	<u>68,119</u>	<u>43,368</u>
Balances at December 31, 2014	<u>\$ 1,861,373</u>	<u>\$ 1,167,203</u>	<u>\$ 694,170</u>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25% as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1 percentage point higher (9.25%) than the current rate:

	1% Decrease <u>(7.25%)</u>	Current Discount Rate <u>(8.25%)</u>	1% Increase <u>(9.25%)</u>
City's net pension liability	\$ 935,221	\$ 694,170	\$ 496,147

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

**CITY OF BRONSON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 8 - DEFINED BENEFIT PENSION PLAN - Continued**

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

For the year ended June 30, 2015, the City recognized pension expense of \$138,777. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 16,794	\$ -	\$ 16,794
Contributions subsequent to the measurement date	<u>18,615</u>	<u>-</u>	<u>18,615</u>
Total	<u>\$ 35,409</u>	<u>\$ -</u>	<u>\$ 35,409</u>

The amount of deferred outflows of resources related to City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2016	\$ 4,199
2017	4,199
2018	4,198
2019	<u>4,198</u>
Total	<u>\$ 16,794</u>

**Payable to the Pension Plan** - At June 30, 2015, the City reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

## **CITY OF BRONSON**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

#### **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 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 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, 2015, the City incurred no significant expenditures in excess of the amounts appropriated at the legal level of budgetary control.

#### **NOTE 11 - BRONSON RURAL FIRE ASSOCIATION**

Bronson City contracts fire protection services from the Bronson Rural Fire Association; as a member with Batavia, Bethel, Bronson, Gilead, Matteson and Noble Townships. Member fees are determined by an average fire run count and a percent of State Equalized Value of township properties. For the year ended June 30, 2015, the City incurred net fire protection services expenditures in the amount of \$41,202.

#### **NOTE 12 - SUBSEQUENT EVENTS**

As of the date of these financial statements, the City has committed to a street and water main construction project at an estimated cost of \$718,300 of which \$300,000 will be funded by federal and state grant funds and the remaining portion funded from Water Supply System fund reserves.

## **CITY OF BRONSON**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

#### **NOTE 13 - NEW ACCOUNTING STANDARDS**

For the year ended June 30, 2015 the City implemented the following new pronouncements:

*GASB Statement 67 – Financial Reporting for Pension Plans.*

##### **SUMMARY:**

This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer(s) to plan members for benefits provided through the pension plan. As a result, the disclosures within the pension footnote have changed considerably along with the related schedules in the required supplemental information.

*GASB Statement 68 – Accounting and Financial Reporting for Pensions.*

##### **SUMMARY:**

This standard establishes new requirements for governments to report a “net pension liability” for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single employer or agent multiple-employer) will report a liability for the difference between the total pension liability and the amount held in the pension trust fund.

Historically, governments have only been required to report a net pension obligation to the extent that they have not met the annual required contribution (ARC) in any given year. Upon implementation of this standard, governments will be required to report a net pension liability based on the current funded status of their pension plans. This liability would be limited to the government-wide financial statements and proprietary funds. Changes in this liability from year to year will largely be reflected on the income statement, though certain amounts will be deferred and amortized over varying periods.

GASB 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation.

# CITY OF BRONSON

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 13 - NEW ACCOUNTING STANDARDS - Continued

GASB Statement 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

#### SUMMARY:

This standard is an amendment to GASB 68, and seeks to clarify implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The City of Bronson participates in MERS which is valued on a calendar year, whose most recent measurement date was December 31, 2014. Therefore, contributions made subsequent to this measurement date through the City's fiscal year end of June 30, 2015 are reported as deferred outflows of resources at year end and are then expensed during the following fiscal year.

As a result of implementing GASB Statement No. 68 and GASB Statement No. 71 effective July 1, 2014, the Net Position – Beginning of year has been restated to report the net pension liability as of June 30, 2014 as follows:

#### Government-wide Financial Statements

	Governmental Activities	Business-type Activities
Net Position – June 30, 2014 – As previously reported	\$ 1,860,174	\$ 4,501,414
Adjustment for implementation of:		
GASB Statement No. 68	(447,059)	(203,743)
GASB Statement No. 71	<u>26,618</u>	<u>13,229</u>
Net Position – June 30, 2014 – As restated	<u>\$ 1,439,733</u>	<u>\$ 4,310,900</u>

#### Fund Financial Statements

	Proprietary Funds		
	Sewage Disposal System Fund	Water Supply System Fund	Motor Pool Internal Service Fund
Net Position – June 30, 2014 – As previously reported	\$ 2,874,768	\$ 1,626,646	\$ 384,160
Adjustment for implementation of:			
GASB Statement No. 68	(136,444)	(67,299)	(8,479)
GASB Statement No. 71	<u>9,112</u>	<u>4,117</u>	<u>491</u>
Net Position – June 30, 2014 – As restated	<u>\$ 2,747,436</u>	<u>\$ 1,563,464</u>	<u>\$ 376,172</u>



## **REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF BRONSON**

**REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b>REVENUES</b>				
Taxes	\$ 613,146	\$ 619,996	\$ 619,998	\$ 2
Licenses and permits	10,250	11,032	10,536	(496)
Intergovernmental	269,087	267,508	265,870	(1,638)
Charges for services	62,750	64,330	68,267	3,937
Fines and forfeits	10,000	14,940	15,286	346
Miscellaneous	<u>2,400</u>	<u>10,247</u>	<u>11,917</u>	<u>1,670</u>
Total revenues	967,633	988,053	991,874	3,821
<b>EXPENDITURES</b>				
General government	185,142	187,115	186,314	801
Public safety	518,333	473,669	476,855	(3,186)
Public works	193,031	176,867	182,291	(5,424)
Parks and recreation	<u>54,486</u>	<u>60,773</u>	<u>62,612</u>	<u>(1,839)</u>
Total expenditures	<u>950,992</u>	<u>898,424</u>	<u>908,072</u>	<u>(9,648)</u>
Excess (deficiency) of revenues over expenditures	16,641	89,629	83,802	(5,827)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(33,000)</u>	<u>(62,000)</u>	<u>(62,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(33,000)</u>	<u>(62,000)</u>	<u>(62,000)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other uses	(16,359)	27,629	21,802	(5,827)
FUND BALANCE - Beginning of year	<u>362,716</u>	<u>362,716</u>	<u>362,716</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 346,357</u>	<u>\$ 390,345</u>	<u>\$ 384,518</u>	<u>\$ (5,827)</u>

See accompanying notes to financial statements

# CITY OF BRONSON

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

### Schedule of Changes in the City's Net Pension Liability and Related Ratios

	Year Ended June 30, 2015
<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ 42,986
Interest	143,063
Benefit payments, including refunds of employee contributions	<u>(74,562)</u>
Net change in total pension liability	111,487
Total pension liability - beginning of year	<u>1,749,886</u>
Total pension liability - end of year	<u>\$ 1,861,373</u>
<b>PLAN FIDUCIARY NET POSITION</b>	
Employer contributions	38,729
Employee contributions	36,616
Net investment income	69,909
Benefit of payments, including refunds of employee contributions	(74,562)
Administrative expense	<u>(2,573)</u>
Net change in plan fiduciary net position	68,119
Plan fiduciary net position - beginning of year	<u>1,099,084</u>
Plan fiduciary net position - end of year	<u>1,167,203</u>
City's net pension liability	<u>\$ 694,170</u>
Plan fiduciary net position as a percentage of total pension liability	62.71%
Covered employee payroll	<u>\$ 595,833</u>
City's net pension liability as a percentage of covered employee payroll	116.50%

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

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

**CITY OF BRONSON**

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

**Schedule of the Net Pension Liability**

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Total Pension</u> <u>Liability</u>	<u>Plan Net</u> <u>Position</u>	<u>Net Pension</u> <u>Liability</u>	<u>Plan Net</u> <u>Position as</u> <u>Percentage of</u> <u>Total Pension</u> <u>Liability</u>	<u>Covered</u> <u>Employee</u> <u>Payroll</u>	<u>Net Pension</u> <u>Liability as</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u>
2015	\$ 1,861,373	\$ 1,167,203	\$ 694,170	62.71%	\$ 595,833	116.50%

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

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

# CITY OF BRONSON

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

### Schedule of Contributions

<u>Fiscal Year Ended June 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as Percentage of Covered Employee Payroll</u>
2015	\$ 38,729	\$ 38,729	\$ -	\$ 595,833	6.50%

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

### Notes to Schedule of Contributions

Valuation Date                      December 31, 2014  
Notes                                      Actuarially determined contribution rates are calculated as of the June 30 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	24 years
Asset valuation method	10 year smoothed
Inflation	3.0% to 4.0%
Salary increases	4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)
Investment rate of return	8.25%, net of investment expense and including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The normal Retirement rates were first used for the December 31, 2009 actuarial valuations. The Early Retirement rates were first used for the December 31, 2011 actuarial valuations.
Mortality	1994 Group Annuity Mortality Table of a 50% male and 50% female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

## **OTHER SUPPLEMENTAL INFORMATION**

**CITY OF BRONSON**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2015**

	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Sinking</u>	<u>Cemetery</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 16,978	\$ 5,030	\$ 11,477	\$ 3,248
Due from other funds	33	50	-	2
Due from other governments	21,024	7,401	-	-
Prepaid and other assets	1,968	1,868	-	158
Loans receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 40,003</u>	 <u>\$ 14,349</u>	 <u>\$ 11,477</u>	 <u>\$ 3,408</u>
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 385	\$ 557	\$ -	\$ 1,918
Accrued and other liabilities	1,500	1,250	-	100
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total liabilities	 1,885	 1,807	 -	 2,018
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable rehab project revenues	-	-	-	-
 <b>FUND BALANCE</b>				
Nonspendable:				
Prepaid expenditures	1,968	1,868	-	158
Restricted for:				
Streets	36,150	10,674	-	-
Committed for:				
Fire protection equipment	-	-	11,477	-
Cemetery	-	-	-	1,232
Community development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balance	 <u>38,118</u>	 <u>12,542</u>	 <u>11,477</u>	 <u>1,390</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 40,003</u>	 <u>\$ 14,349</u>	 <u>\$ 11,477</u>	 <u>\$ 3,408</u>

Cemetery Redevelopment Fund	Cemetery Perpetual Care	Community Development Fund	Total Nonmajor Governmental Funds
\$ 13,852	\$ 22,048	\$ 31,646	\$ 104,279
-	-	-	85
-	-	-	28,425
-	-	1,923	5,917
-	-	31,809	31,809
<u>\$ 13,852</u>	<u>\$ 22,048</u>	<u>\$ 65,378</u>	<u>\$ 170,515</u>

\$ -	\$ -	\$ 650	\$ 3,510
-	-	-	2,850
-	-	-	-
-	-	650	6,360
-	-	31,809	31,809
-	-	1,923	5,917
-	-	-	46,824
-	-	-	11,477
13,852	22,048	-	37,132
-	-	30,996	30,996
<u>13,852</u>	<u>22,048</u>	<u>32,919</u>	<u>132,346</u>
<u>\$ 13,852</u>	<u>\$ 22,048</u>	<u>\$ 65,378</u>	<u>\$ 170,515</u>

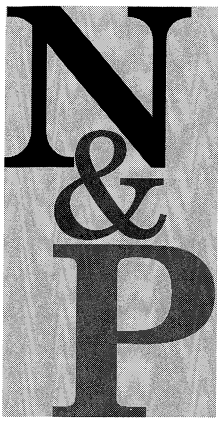


**CITY OF BRONSON**

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2015**

	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Sinking</u>	<u>Cemetery</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 25,065	\$ -
Intergovernmental	131,167	57,833	-	-
Charges for services	-	-	-	5,637
Miscellaneous	<u>46</u>	<u>32</u>	<u>13</u>	<u>6</u>
Total revenues	131,213	57,865	25,078	5,643
<b>EXPENDITURES</b>				
Highways and streets	153,774	144,124	-	-
Community enrichment, development and services	-	-	-	15,229
Debt service	<u>-</u>	<u>-</u>	<u>16,315</u>	<u>-</u>
Total expenditures	<u>153,774</u>	<u>144,124</u>	<u>16,315</u>	<u>15,229</u>
Excess (deficiency) of revenues over expenditures	(22,561)	(86,259)	8,763	(9,586)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	55,000	-	7,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>7,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(22,561)	(31,259)	8,763	(2,586)
<b>FUND BALANCE - Beginning of year</b>	<u>60,679</u>	<u>43,801</u>	<u>2,714</u>	<u>3,976</u>
<b>FUND BALANCE - End of year</b>	<u>\$ 38,118</u>	<u>\$ 12,542</u>	<u>\$ 11,477</u>	<u>\$ 1,390</u>

Cemetery Redevelopment Fund	Cemetery Perpetual Care	Community Development Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 25,065
-	-	-	189,000
-	1,200	-	6,837
<u>3,074</u>	<u>62</u>	<u>8,632</u>	<u>11,865</u>
3,074	1,262	8,632	232,767
-	-	-	297,898
-	-	650	15,879
<u>-</u>	<u>-</u>	<u>-</u>	<u>16,315</u>
<u>-</u>	<u>-</u>	<u>650</u>	<u>330,092</u>
3,074	1,262	7,982	(97,325)
-	-	-	62,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>62,000</u>
3,074	1,262	7,982	(35,325)
<u>10,778</u>	<u>20,786</u>	<u>24,937</u>	<u>167,671</u>
<u>\$ 13,852</u>	<u>\$ 22,048</u>	<u>\$ 32,919</u>	<u>\$ 132,346</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

**Norman & Paulsen, P.C.**  
*Certified Public Accountants*

127 W. Chicago Road  
Sturgis, MI 49091  
269.651.3228  
Fax 269.651.5146

123 N. Main Street  
Three Rivers, MI 49093  
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We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bronson (the "City"), as of and for the year ended June 30, 2015, 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 4, 2015.

### **Internal Control Over Financial Reporting**

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

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

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

Bruce S. A. Gosling, CPA, CVA  
Michael R. Wilson, CPA  
Ricky L. Strawser, CPA

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

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

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

- Criteria:** Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the City's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.
- Condition:** As is the case with many governments of similar size, the City lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.
- Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.
- Cause:** This condition is a result of the City's limited resources and the small size of its accounting staff.
- Effect:** As a result of this condition, the City is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely basis.
- Recommendation:** While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.
- View of Responsible Officials:** The City Council is aware of the risks associated with this condition, and has made the determination that given the City's resource limitations, full segregation of duties is not feasible at this time. Accordingly, the City Council will continue to review monthly information to mitigate this risk, and rely on the annual external audit to help identify and correct misstatements, as needed.

### **Compliance and Other Matters**

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

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

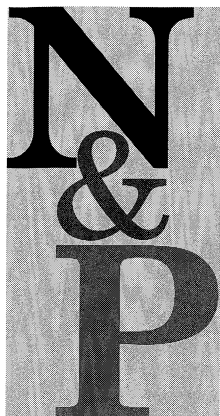
The City's responses to the findings in our audit are above. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of the Report**

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

*Norman E. Paulson, P.C.*

December 4, 2015



REQUIRED COMMUNICATION TO THE CITY OF BRONSON IN  
ACCORDANCE WITH PROFESSIONAL STANDARDS

December 4, 2015

To the City Council  
City of Bronson, Michigan

**Norman & Paulsen, P.C.**  
*Certified Public Accountants*

127 W. Chicago Road  
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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 for the year ended June 30, 2015. 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 dated August 18, 2015. Professional standards also require that we communicate to you the following information related to our audit.

***Compliance***

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, the objective of our audit was not to provide an opinion on compliance with such provisions.

***Internal Controls***

In planning and performing our audit of the financial statements of the City, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) to determine 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.

We have issued our 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* thereon dated December 4, 2015.

Bruce S. A. Gosling, CPA, CVA  
Michael R. Wilson, CPA  
Ricky L. Strawser, CPA

### *Significant Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Bronson are described in Note 1 to the financial statements. The City changed accounting policies related to accounting for pension plans by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 67, *Financial Reporting for Pension Plans*, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The cumulative effect of these accounting changes as of the beginning of the year is reported in the Statement of Activities.

We noted no transactions entered into by the governmental unit 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*

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 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.

### *Disclosures*

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all 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 4, 2015.

### *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 Information in Documents Containing Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, 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 been 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.

\*\*\*\*\*

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

Sincerely,

*Norman E. Paulsen, P.C.*

