

**CITY OF BRONSON  
BRANCH COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council  
Bronson, Michigan

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Bronson, Michigan (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Change in Accounting Principle***

As stated in Note 14 to the basic financial statements, the City adopted *GASB Statement No. 87, Leases* in 2022, which represents a change in its policy for reporting lease activities. Our opinions are not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Gabridge & Company, PLC  
Sturgis, MI  
December 21, 2022

## **Management's Discussion and Analysis**



**City of Bronson**  
**Management's Discussion and Analysis**  
**June 30, 2022**

As management of the City of Bronson, Michigan (the "City" or "government") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage our readers to consider the information presented here in conjunction with the financial statements.

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,450,657 (net position). Of this amount, \$3,202,595 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$2,227,093, an increase of \$336,509 in comparison with the prior year. Approximately 54.1% of this amount, or \$1,205,289, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,205,289, or approximately 92.0% of total general fund expenditures and transfers out.

**Overview of the Financial Statements**

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

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

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

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

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

### ***Component Unit***

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

### ***Fund Financial Statements***

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

### ***Governmental Funds***

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

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

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

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

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

### ***Proprietary Funds***

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

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

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

### ***Notes to the Financial Statements***

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

### ***Other Information***

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

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

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,450,657 at the close of the most recent fiscal year. The

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

**City of Bronson's Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 2,582,523	\$ 2,231,499	\$ 2,003,263	\$ 1,915,973	\$ 4,585,786	\$ 4,147,472
Receivables, net	91,690	77,740	146,997	121,095	238,687	198,835
Due from Other Units of Government	52,156	101,436	-	99,527	52,156	200,963
Prepaid Items	54,138	54,886	22,798	23,169	76,936	78,055
<b>Total Current Assets</b>	<b>2,780,507</b>	<b>2,465,561</b>	<b>2,173,058</b>	<b>2,159,764</b>	<b>4,953,565</b>	<b>4,625,325</b>
<i>Noncurrent Assets</i>						
Restricted Cash and Investments	-	-	33,026	31,541	33,026	31,541
Leases Receivable	588,522	-	-	-	588,522	-
Capital Assets, net	1,361,465	1,065,375	3,144,492	2,300,490	4,505,957	3,365,865
<b>Total Assets</b>	<b>4,730,494</b>	<b>3,530,936</b>	<b>5,350,576</b>	<b>4,491,795</b>	<b>10,081,070</b>	<b>8,022,731</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension Related	137,927	82,381	78,932	43,445	216,859	125,826
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	36,536	84,253	140,464	134,212	177,000	218,465
Payroll Related Liabilities	20,505	17,736	9,000	5,500	29,505	23,236
Due to Other Units of Government	-	618	-	-	-	618
Current Portion of Compensated Absences	-	6,195	-	35,316	-	41,511
Current Portion of Long-term Debt	-	-	20,000	20,000	20,000	20,000
Internal Balances	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>57,041</b>	<b>108,802</b>	<b>169,464</b>	<b>195,028</b>	<b>226,505</b>	<b>303,830</b>
<i>Noncurrent Liabilities</i>						
Compensated Absences	-	33,000	-	-	-	33,000
Long-term Debt	-	-	222,000	242,000	222,000	242,000
Net Pension Liability	333,847	406,141	191,049	214,186	524,896	620,327
<b>Total Liabilities</b>	<b>390,888</b>	<b>547,943</b>	<b>582,513</b>	<b>651,214</b>	<b>973,401</b>	<b>1,199,157</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Lease Revenue	605,594	-	-	-	605,594	-
Pension Related	170,631	119,372	97,646	62,953	268,277	182,325
<b>Total Deferred Inflows of Resources</b>	<b>776,225</b>	<b>119,372</b>	<b>97,646</b>	<b>62,953</b>	<b>873,871</b>	<b>182,325</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	1,361,465	1,065,375	2,902,492	2,038,490	4,263,957	3,103,865
Restricted	951,079	710,171	33,026	31,541	984,105	741,712
Unrestricted	1,388,764	1,170,456	1,813,831	1,751,042	3,202,595	2,921,498
<b>Total Net Position</b>	<b>\$ 3,701,308</b>	<b>\$ 2,946,002</b>	<b>\$ 4,749,349</b>	<b>\$ 3,821,073</b>	<b>\$ 8,450,657</b>	<b>\$ 6,767,075</b>

The largest portion of the City's net position of \$4,263,957, or 50.5%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of \$984,105, or 11.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,202,595, or 37.9%, is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

Cash and investments for governmental activities increased by \$351,024 being similar to the increase in governmental funds' fund balance of \$336,509. Cash and investments (including restricted cash and investments) for business-type activities increased by \$88,775 primarily due to the collection of grant-related receivables during the current year. Due from other units of government decreased by \$148,807 across governmental and business-type activities due to the completion of grant related projects during the year. Accounts payable for governmental activities decreased by \$47,717 due to the timing of construction-related payables. As a result of the adoption of ***GASB Statement No. 87 Leases***, the City is presenting a noncurrent asset for leases receivable of \$588,522 and the remaining current portion of the leases receivable being reported in the receivables net category (see Note 8 for additional information on leases). Capital assets increased by \$1,140,092 as a result of the completion of construction projects being in excess of current year depreciation. Current and noncurrent portions of compensated absences were reduced to zero during the current fiscal year as the City is assuming a zero probability of payout of the balances as it relates to current policies. Net pension liability for the City decreased by \$95,431 while pension-related deferred inflows of resources increased by \$85,952 because of better-than-expected rates of return on the City's pension plan assets.

The following chart presents a summary of the changes in net position for years ended June 30, 2022 and 2021:

**City of Bronson's Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 354,232	\$ 325,488	\$ 908,872	\$ 808,251	\$ 1,263,104	\$ 1,133,739
Operating Grants and Contributions	342,877	469,600	86,653	300,274	429,530	769,874
Capital Grants and Contributions	279,652	-	800,403	99,527	1,080,055	99,527
<b>Total Program Revenues</b>	<b>976,761</b>	<b>795,088</b>	<b>1,795,928</b>	<b>1,208,052</b>	<b>2,772,689</b>	<b>2,003,140</b>
<b>General Revenues</b>						
Property Taxes	574,976	564,264	34,464	32,904	609,440	597,168
Unrestricted State Sources	577,065	640,233	-	-	577,065	640,233
Investment Income	5,439	13,076	3,257	17,529	8,696	30,605
<b>Total General Revenues</b>	<b>1,157,480</b>	<b>1,217,573</b>	<b>37,721</b>	<b>50,433</b>	<b>1,195,201</b>	<b>1,268,006</b>
<b>Total Revenues</b>	<b>2,134,241</b>	<b>2,012,661</b>	<b>1,833,649</b>	<b>1,258,485</b>	<b>3,967,890</b>	<b>3,271,146</b>
<b>Expenses</b>						
General Government	381,197	413,285	-	-	381,197	413,285
Public Safety	495,899	526,151	-	-	495,899	526,151
Public Works	447,172	736,640	-	-	447,172	736,640
Recreation and Culture	51,760	52,556	-	-	51,760	52,556
Community and Economic Development	2,907	60	-	-	2,907	60
Wastewater Treatment	-	-	527,752	943,677	527,752	943,677
Water Treatment	-	-	377,621	285,271	377,621	285,271
<b>Total Expenses</b>	<b>1,378,935</b>	<b>1,728,692</b>	<b>905,373</b>	<b>1,228,948</b>	<b>2,284,308</b>	<b>2,957,640</b>
<b>Change in Net Position</b>	<b>755,306</b>	<b>283,969</b>	<b>928,276</b>	<b>29,537</b>	<b>1,683,582</b>	<b>313,506</b>
<i>Net Position at the Beginning of Period</i>	<i>2,946,002</i>	<i>2,662,033</i>	<i>3,821,073</i>	<i>3,791,536</i>	<i>6,767,075</i>	<i>6,453,569</i>
<b>Net Position at the End of Period</b>	<b>\$ 3,701,308</b>	<b>\$ 2,946,002</b>	<b>\$ 4,749,349</b>	<b>\$ 3,821,073</b>	<b>\$ 8,450,657</b>	<b>\$ 6,767,075</b>

**Governmental Activities.** Government activities increased the City's net position by \$755,306, compared to an increase of \$283,969 during the prior year. Operating grants and contributions decreased by \$126,723 as the City received additional Storm Water, Asset Management, and Wastewater ("SAW") grant funding during the prior year but not the current year. Capital grants

and contributions increased by \$279,652 as the City received a large community development block grant for street and utility construction. Unrestricted state sources decreased by \$63,168 during the year due to a decrease in constitutional state aid. Public works expenses decreased by \$289,468 in primarily as a result of the SAW grant expenses incurred in the prior year that were not incurred in the current year.

**Business-type Activities.** Business-type activities increased the City's net position by \$928,276, compared to an increase of \$29,537 during the prior year. Operating grants and contributions decreased by \$213,621; in the prior year the City also received SAW grant funds in its wastewater fund – the project was completed during fiscal year 2021 and the City did not receive the same level of operating grant funds in the current year. Capital grants and contributions increased by \$700,876 as the City received a significant amount of federal monies from a community development block grant for street and utility construction and from American Rescue Plan Act (ARPA) for water meters. Total expenses for the City's business type activities decreased by \$323,575 due to the net effect of not incurring any expenses related to the SAW grant, as in the previous year, and incurring an additional costs related to an Environment Great Lakes and Energy (EGLE) grant which increased water treatment costs when compared to the previous year.

## **Financial Analysis of Governmental Funds**

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

At June 30, 2022, the City's governmental funds reported combined fund balances of \$2,227,093, an increase of \$336,509 in comparison with the prior year. Approximately 54.1% of this amount, or \$1,205,289, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either restricted, committed, or nonspendable to indicate that it is: 1) restricted for particular purposes (\$946,765, or 42.5%), 2) committed for particular purposes (\$32,210, or 1.4%), or 3) nonspendable (\$42,829, or 2.0%).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,205,289. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 92.0% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$96,429 during the current fiscal year, which is relatively similar to the increase of \$155,436 during the prior year. The reason for the smaller increase has been explained in an earlier section of this report.

The major streets fund, a major fund, had a \$92,428 increase in fund balance during the current fiscal year which put the overall fund balance at \$364,220. The change in fund balance in the current year is relatively similar to the prior year's increase.

The local street fund, a major fund, had a \$84,189 increase in fund balance during the current fiscal year which put the overall fund balance at \$305,049. This change is comparable to the change experienced in the previous year. The fund saw a significant increase in intergovernmental revenues that exceed the corresponding increase in public works expenditures.

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

Unrestricted net position at the end of the year for the wastewater fund and the water fund was \$936,885 and \$876,946, respectively. The funds experienced increases in net position of \$396,670 and \$531,606, respectively. Information regarding the increases within these funds were provided for in an earlier section of this report.

### **General Fund Budgetary Highlights**

*Original budget compared to final budget.* During the year there was one significant amendment to the original estimated revenues and the most significant amendment to the original budgeted appropriations was to reduce the budget for transfers to be in line with actual activity. Estimated intergovernmental revenue increased from \$428,272 to \$588,794 to account for an increase in capital-related grants while transfers out were reduced from \$124,000 down to \$74,000.

*Final budget compared to actual results.* The City had one expenditure in excess of the amount appropriated during the year ended June 30, 2022: the police department had an amended budget of \$513,143 and an actual amount of \$522,143, resulting in a negative budget variance of (\$9,000). This was a result of the timing of year-end payroll for the City.

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

#### ***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022, amounted to \$4,505,957 (net of accumulated depreciation). Of this amount, \$1,361,465 was for its governmental activities and \$3,144,492 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

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

### ***Long-term Debt***

At the end of the current fiscal year, the City had a total long-term debt outstanding of \$242,000, all being accounted for within business-type activities. The City made principal payments of \$20,000 during the current fiscal year.

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

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

Management estimates that approximately \$1.20 million of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2022. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2023, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves at similar levels.

### **Requests for Information**

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

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



## **Basic Financial Statements**

**City of Bronson**  
**Statement of Net Position**  
**June 30, 2022**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Current Assets				
Cash and Investments	\$ 2,582,523	\$ 2,003,263	\$ 4,585,786	\$ 4,532
Receivables, net	91,690	146,997	238,687	--
Due from Other Units of Government	52,156	--	52,156	--
Prepaid Items	54,138	22,798	76,936	--
<b>Total Current Assets</b>	<b>2,780,507</b>	<b>2,173,058</b>	<b>4,953,565</b>	<b>4,532</b>
Noncurrent Assets				
Restricted Cash and Investments	--	33,026	33,026	--
Leases Receivable	588,522	--	588,522	--
Capital Assets not being Depreciated	424,389	99,316	523,705	--
Capital Assets being Depreciated, net	937,076	3,045,176	3,982,252	--
<b>Total Assets</b>	<b>4,730,494</b>	<b>5,350,576</b>	<b>10,081,070</b>	<b>4,532</b>
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	137,927	78,932	216,859	--
<b>Total Deferred Outflows of Resources</b>	<b>137,927</b>	<b>78,932</b>	<b>216,859</b>	<b>--</b>
LIABILITIES				
Current Liabilities				
Accounts Payable	36,536	140,464	177,000	--
Payroll Related Liabilities	20,505	9,000	29,505	--
Due to Other Units of Government	--	--	--	637
Current Portion of Long-term Debt	--	20,000	20,000	--
<b>Total Current Liabilities</b>	<b>57,041</b>	<b>169,464</b>	<b>226,505</b>	<b>637</b>
Noncurrent Liabilities				
Long-term Debt	--	222,000	222,000	--
Net Pension Liability	333,847	191,049	524,896	--
<b>Total Liabilities</b>	<b>390,888</b>	<b>582,513</b>	<b>973,401</b>	<b>637</b>
DEFERRED INFLOWS OF RESOURCES				
Deferred Lease Revenue	605,594	--	605,594	--
Pension Related	170,631	97,646	873,871	--
<b>Total Deferred Inflows of Resources</b>	<b>776,225</b>	<b>97,646</b>	<b>873,871</b>	<b>--</b>
NET POSITION				
Net Investment in Capital Assets	1,361,465	2,902,492	4,263,957	--
Restricted for:				
Debt Service	--	33,026	33,026	--
Public Safety	218,894	--	218,894	--
Streets	669,269	--	669,269	--
Cemetery Trust	62,916	--	62,916	--
Unrestricted	1,388,764	1,813,831	3,202,595	3,895
<b>Total Net Position</b>	<b>\$ 3,701,308</b>	<b>\$ 4,749,349</b>	<b>\$ 8,450,657</b>	<b>\$ 3,895</b>

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

**City of Bronson**  
**Statement of Activities**  
**For the year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 381,197	\$ 117,343	\$ 11,244	\$ --	\$ (252,610)	\$ --	\$ (252,610)	\$ --
Public Safety	495,899	19,843	--	--	(476,056)	--	(476,056)	--
Public Works	447,172	209,994	331,633	279,652	374,107	--	374,107	--
Recreation and Culture	51,760	2,375	--	--	(49,385)	--	(49,385)	--
Community and Economic Development	2,907	4,677	--	--	1,770	--	1,770	--
Total Governmental Activities	1,378,935	354,232	342,877	279,652	(402,174)	--	(402,174)	--
Business-type Activities:								
Wastewater	527,752	609,481	--	279,192	--	360,921	360,921	--
Water	377,621	299,391	86,653	521,211	--	529,634	529,634	--
Total Business-type Activities	905,373	908,872	86,653	800,403	--	890,555	890,555	--
Total Primary Government	\$ 2,284,308	\$ 1,263,104	\$ 429,530	\$ 1,080,055	\$ (402,174)	\$ 890,555	\$ 488,381	--
Component Unit								
Downtown Development Authority	\$ --	\$ --	\$ --	\$ --	--	--	--	--
Total Component Unit	\$ --	\$ --	\$ --	\$ --	--	--	--	--
General Purpose Revenues:								
Property Taxes					574,976	34,464	609,440	354
Unrestricted State Sources					577,065	--	577,065	--
Investment Income					5,439	3,257	8,696	--
Total General Revenues					1,157,480	37,721	1,195,201	354
Change in Net Position					755,306	928,276	1,683,582	354
Net Position at Beginning of Period					2,946,002	3,821,073	6,767,075	3,541
Net Position at End of Period					\$ 3,701,308	\$ 4,749,349	\$ 8,450,657	\$ 3,895

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

**City of Bronson  
Balance Sheet  
Governmental Funds  
June 30, 2022**

		<u>Special Revenue</u>			
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Investments	\$ 1,235,110	\$ 325,813	\$ 290,491	\$ 281,262	\$ 2,132,676
Receivables, net	646,351	--	--	33,861	680,212
Due from Other Units of Government	637	37,774	13,745	--	52,156
Prepaid Items	38,515	2,028	1,773	513	42,829
<b>Total Assets</b>	<b>\$ 1,920,613</b>	<b>\$ 365,615</b>	<b>\$ 306,009</b>	<b>\$ 315,636</b>	<b>\$ 2,907,873</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 18,961	\$ 645	\$ 460	\$ 1,804	\$ 21,870
Payroll Related Liabilities	19,005	750	500	100	20,355
<b>Total Liabilities</b>	<b>37,966</b>	<b>1,395</b>	<b>960</b>	<b>1,904</b>	<b>42,225</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Lease Revenue	605,594	--	--	--	605,594
Unavailable Revenue	--	--	--	32,961	32,961
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>643,560</b>	<b>1,395</b>	<b>960</b>	<b>34,865</b>	<b>680,780</b>
<b>FUND BALANCE</b>					
Nonspendable	38,515	2,028	1,773	513	42,829
Restricted	33,249	362,192	303,276	248,048	946,765
Committed	--	--	--	32,210	32,210
Unassigned	1,205,289	--	--	--	1,205,289
<b>Total Fund Balance</b>	<b>1,277,053</b>	<b>364,220</b>	<b>305,049</b>	<b>280,771</b>	<b>2,227,093</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,920,613</b>	<b>\$ 365,615</b>	<b>\$ 306,009</b>	<b>\$ 315,636</b>	<b>\$ 2,907,873</b>

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

**City of Bronson**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2022**

Total Fund Balance - Governmental Funds	\$ 2,227,093
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.	620,586
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.	--
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(366,551)
Unavailable revenues are not available to pay current expenditures and, therefore, are deferred inflows of resources in the funds.	32,961
General government capital assets of \$2,847,229, net of accumulated depreciation of \$1,660,010, are not financial resources and, accordingly, are not reported in the funds.	1,187,219
<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>3,701,308</u></b>

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

**City of Bronson**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the year Ended June 30, 2022**

		<u>Special Revenue</u>			
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property Taxes	\$ 545,213	\$ --	\$ --	\$ 29,763	\$ 574,976
Licenses and Permits	4,442	--	--	--	4,442
Intergovernmental	588,309	245,330	365,955	--	1,199,594
Charges for Services	184,696	--	--	6,797	191,493
Fines and Forfeits	24,186	--	--	--	24,186
Interest and Rentals	59,599	826	526	3,620	64,571
Other Revenue	--	--	--	20,247	20,247
<b>Total Revenues</b>	<u>1,406,445</u>	<u>246,156</u>	<u>366,481</u>	<u>60,427</u>	<u>2,079,509</u>
<b>Expenditures</b>					
General Government	426,706	--	--	18,057	444,763
Public Safety	558,391	--	--	--	558,391
Public Works	196,563	53,728	432,292	--	682,583
Recreation and Culture	54,356	--	--	--	54,356
Community and Economic Development	--	--	--	2,907	2,907
<b>Total Expenditures</b>	<u>1,236,016</u>	<u>53,728</u>	<u>432,292</u>	<u>20,964</u>	<u>1,743,000</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>170,429</u>	<u>192,428</u>	<u>(65,811)</u>	<u>39,463</u>	<u>336,509</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	--	--	150,000	30,000	180,000
Transfers Out	(74,000)	(100,000)	--	(6,000)	(180,000)
<b>Net Other Financing Sources (Uses)</b>	<u>(74,000)</u>	<u>(100,000)</u>	<u>150,000</u>	<u>24,000</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	<u>96,429</u>	<u>92,428</u>	<u>84,189</u>	<u>63,463</u>	<u>336,509</u>
<i>Fund Balance at Beginning of Period</i>	1,180,624	271,792	220,860	217,308	1,890,584
<b>Fund Balance at End of Period</b>	<u>\$ 1,277,053</u>	<u>\$ 364,220</u>	<u>\$ 305,049</u>	<u>\$ 280,771</u>	<u>\$ 2,227,093</u>

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

**City of Bronson**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the year Ended June 30, 2022**

Total Net Change in Fund Balances - Governmental Funds	\$ 336,509
net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	20,622
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	39,195
Some receivables are long-term in nature and are collectible over several years. However, only the current receipts are reflected as revenue on the fund statements.	(17,400)
Governmental fund report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$353,701 exceeds depreciation expense of \$53,902.	299,799
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	76,581
<b>Changes in Net Position - Governmental Activities</b>	<b>\$ <u>755,306</u></b>

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

**City of Bronson**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities Internal Service Fund</b>
	<b>Wastewater</b>	<b>Water</b>	<b>Total Enterprise Funds</b>	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 965,886	\$ 1,037,377	\$ 2,003,263	\$ 449,847
Receivables, net	101,818	45,179	146,997	--
Prepaid Items	16,026	6,772	22,798	11,309
<b>Total Current Assets</b>	<b>1,083,730</b>	<b>1,089,328</b>	<b>2,173,058</b>	<b>461,156</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Investments	33,026	--	33,026	--
Capital Assets not being Depreciated	87,661	11,655	99,316	--
Capital Assets being Depreciated, net	1,794,002	1,251,174	3,045,176	174,246
<b>Total Assets</b>	<b>2,998,419</b>	<b>2,352,157</b>	<b>5,350,576</b>	<b>635,402</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	49,357	29,575	78,932	--
<b>Total Deferred Outflows of Resources</b>	<b>49,357</b>	<b>29,575</b>	<b>78,932</b>	<b>--</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	10,178	130,286	140,464	14,666
Payroll Related Liabilities	5,500	3,500	9,000	150
Current Portion of Long-term Debt	20,000	--	20,000	--
<b>Total Current Liabilities</b>	<b>35,678</b>	<b>133,786</b>	<b>169,464</b>	<b>14,816</b>
<i>Noncurrent Liabilities</i>				
Long-term Debt	222,000	--	222,000	--
Net Pension Liability	119,465	71,584	191,049	--
<b>Total Liabilities</b>	<b>377,143</b>	<b>205,370</b>	<b>582,513</b>	<b>14,816</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	61,059	36,587	97,646	--
<b>Total Deferred Inflows of Resources</b>	<b>61,059</b>	<b>36,587</b>	<b>97,646</b>	<b>--</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,639,663	1,262,829	2,902,492	174,246
<i>Restricted for:</i>				
Debt Service	33,026	--	33,026	--
<i>Unrestricted</i>	936,885	876,946	1,813,831	446,340
<b>Total Net Position</b>	<b>\$ 2,609,574</b>	<b>\$ 2,139,775</b>	<b>\$ 4,749,349</b>	<b>\$ 620,586</b>

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



**City of Bronson**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the year Ended June 30, 2022**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Wastewater</b>	<b>Water</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 608,060	\$ 299,391	\$ 907,451	\$ 142,402
<b>Total Operating Revenues</b>	<b>608,060</b>	<b>299,391</b>	<b>907,451</b>	<b>142,402</b>
<b>Operating Expenses</b>				
Personnel	209,051	105,649	314,700	5,925
Operating Expenses	180,321	89,489	269,810	70,319
Depreciation	125,280	106,547	231,827	56,630
<b>Total Operating Expenses</b>	<b>514,652</b>	<b>301,685</b>	<b>816,337</b>	<b>132,874</b>
<b>Operating Income (Loss)</b>	<b>93,408</b>	<b>(2,294)</b>	<b>91,114</b>	<b>9,528</b>
<b>Non-Operating Revenues (Expenses)</b>				
Property Taxes	34,464	--	34,464	--
Operating Grants	--	86,653	86,653	--
Operating Grant Expenses	--	(75,936)	(75,936)	--
Capital Grants	279,192	521,211	800,403	--
Other Revenue	1,421	--	1,421	9,865
Investment Income	1,285	1,972	3,257	1,229
Interest Expense	(13,100)	--	(13,100)	--
<b>Net Non-Operating Revenues (Expenses)</b>	<b>303,262</b>	<b>533,900</b>	<b>837,162</b>	<b>11,094</b>
<b>Change In Net Position</b>	<b>396,670</b>	<b>531,606</b>	<b>928,276</b>	<b>20,622</b>
<i>Net Position at Beginning of Period</i>	<i>2,212,904</i>	<i>1,608,169</i>	<i>3,821,073</i>	<i>599,964</i>
<b>Net Position at End of Period</b>	<b>\$ 2,609,574</b>	<b>\$ 2,139,775</b>	<b>\$ 4,749,349</b>	<b>\$ 620,586</b>

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

**City of Bronson**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities Internal Service Fund</b>
	<b>Wastewater</b>	<b>Water</b>	<b>Total Enterprise Funds</b>	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 585,744	\$ 295,805	\$ 881,549	\$ 142,402
Cash Payments to Employees for Services and Fringe Benefits	(244,825)	(125,622)	(370,447)	(5,925)
Cash Payments to Suppliers for Goods and Services	(236,262)	(26,925)	(263,187)	(60,328)
<b>Net Cash Provided by Operating Activities</b>	<b>104,657</b>	<b>143,258</b>	<b>247,915</b>	<b>76,149</b>
<b>Cash Flows from Non-capital Financing Activities</b>				
Other Revenue	1,421	-	1,421	9,865
Operating Grants Revenue	-	86,653	86,653	-
Operating Grants Expenses	-	(75,936)	(75,936)	-
<b>Net Cash Provided by Non-capital Financing Activities</b>	<b>1,421</b>	<b>10,717</b>	<b>12,138</b>	<b>9,865</b>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Debt Service Charges / Property Taxes	34,464	-	34,464	-
Interest Expense	(13,100)	-	(13,100)	-
Principal Payment on Long-term Debt	(20,000)	-	(20,000)	-
Capital Grants	328,955	570,975	899,930	-
Purchases of Capital Assets	(437,902)	(637,927)	(1,075,829)	(52,921)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(107,583)</b>	<b>(66,952)</b>	<b>(174,535)</b>	<b>(52,921)</b>
<b>Cash Flows from Investing Activities</b>				
Investment Income	1,285	1,972	3,257	1,229
<b>Net Cash Provided by Investing Activities</b>	<b>1,285</b>	<b>1,972</b>	<b>3,257</b>	<b>1,229</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(220)</b>	<b>88,995</b>	<b>88,775</b>	<b>34,322</b>
<i>Cash and Investments - Beginning of Year</i>	<i>999,132</i>	<i>948,382</i>	<i>1,947,514</i>	<i>415,525</i>
<b><i>Cash and Investments - End of Year</i></b>	<b><i>\$ 998,912</i></b>	<b><i>\$ 1,037,377</i></b>	<b><i>\$ 2,036,289</i></b>	<b><i>\$ 449,847</i></b>
<b>Statement of Net Position</b>				
Cash and Investments	\$ 965,886	\$ 1,037,377	\$ 2,003,263	\$ 449,847
Restricted Cash and Investments	33,026	-	33,026	-
<b>Total Cash and Investments</b>	<b>\$ 998,912</b>	<b>\$ 1,037,377</b>	<b>\$ 2,036,289</b>	<b>\$ 449,847</b>

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

**City of Bronson**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Wastewater</b>	<b>Water</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>
<b>Reconciliation of Operating Income (Loss) to</b>				
<b>Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$ 93,408	\$ (2,294)	\$ 91,114	\$ 9,528
<b>Adjustments to Reconcile Operating Income (Loss) to</b>				
<b>Net Cash Provided by Operating Activities</b>				
Depreciation Expense	125,280	106,547	231,827	56,630
<b>Changes in Assets, Liabilities, and Related Deferrals</b>				
Receivables, net	(22,316)	(3,586)	(25,902)	-
Prepaid Items	(270)	641	371	(374)
Accounts Payable	(55,671)	61,923	6,252	10,365
Payroll Related Liabilities	2,000	1,500	3,500	-
Compensated Absences	(22,865)	(12,451)	(35,316)	-
Net Pension Liability and Pension Related Deferrals	(14,909)	(9,022)	(23,931)	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 104,657</b>	<b>\$ 143,258</b>	<b>\$ 247,915</b>	<b>\$ 76,149</b>

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

**City of Bronson**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2022**

	<u><b>Custodial Fund</b></u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,082
<i><b>Total Assets</b></i>	<u>1,082</u>
<b>LIABILITIES</b>	
Undistributed Collections	1,082
<i><b>Total Liabilities</b></i>	<u>1,082</u>
<b>NET POSITION</b>	
Held in Trust	<u>--</u>

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

**City of Bronson**  
**Statement of Change in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the year Ended June 30, 2022**

<b>ADDITIONS</b>	<b>Custodial Fund</b>
Property Taxes Collected for Other Governments	\$ 979,378
<i><b>Total Additions</b></i>	<u>979,378</u>
<b>DEDUCTIONS</b>	
Payments of Property Taxes to Other Governments	979,378
<i><b>Total Deductions</b></i>	<u>979,378</u>
<i><b>Net Increase (Decrease) in Net Position</b></i>	--
<i>Net Position at Beginning of Period</i>	--
<i><b>Net Position at End of Period</b></i>	<u><u>\$ --</u></u>

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

## **Notes to the Financial Statements**

## City of Bronson

### Notes to the Financial Statements

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#### **Note 1 - Summary of Significant Accounting Policies**

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

##### ***Reporting Entity***

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

##### ***Discretely Presented Component Units***

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

##### ***Joint Venture***

The City of Bronson participates with the Townships of Batavia, Bethel, Bronson, Gilead, Matteson, and Noble in the Bronson Area Fire Association, a joint venture pursuant to an agreement entered into between the seven parties. The Association is governed by a fourteen-member board, two members are appointed by each participating municipality. In accordance with GASB 61, the Association is not considered to be a component unit of the City. The City contributed \$36,248 to the Association for operations during the year ended June 30, 2022. Complete financial statements for the Association can be obtained from the City office.

##### ***Government-Wide and Fund Financial Statements***

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

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

## City of Bronson

### Notes to the Financial Statements

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

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

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

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

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

The City reports the following major governmental funds:

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

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

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



## City of Bronson

### Notes to the Financial Statements

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

#### ***Property Tax Revenue***

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

The City's 2021 tax is levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022, when the proceeds of the levy are budgeted and available for the financing of operations.

## City of Bronson

### Notes to the Financial Statements

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The 2021 taxable valuation of the City totaled \$33.7 million (a portion of which is captured by the DDA). The City levied 16.8414 mills for operations, 1.000 mills for fire sinking, and 1.0210 mills for debt service.

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

##### ***Cash and Cash Equivalents***

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

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

##### ***Investments***

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

## City of Bronson

### Notes to the Financial Statements

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#### ***Receivables and Payables***

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

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

#### ***Prepaid Items***

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

#### ***Restricted Cash and Investments***

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

#### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at the acquisition cost.

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

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

#### ***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

## City of Bronson

### Notes to the Financial Statements

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### ***Pensions***

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

#### ***Deferred Outflows / Inflows of Resources***

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

The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the City's net pension liability. The net pension liability amounts are related to differences between expected and actual experience, changes of assumptions, differences between projected and actual pension plan investment earnings, and employer contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

Additionally, the City has a deferred inflow, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, this item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report

## City of Bronson

### Notes to the Financial Statements

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unavailable revenues from one source: receivables for revenues that are not considered to be available to liquidate liabilities of the current period. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

#### ***Net Position Flow Assumptions***

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

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

#### ***Fund Balance Flow Assumption***

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

#### ***Fund Balance Policies***

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

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

## City of Bronson

### Notes to the Financial Statements

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(the adoption of another resolution) to remove or revise the limitation.

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

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

#### ***Use of Estimates***

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

#### **Note 2 - Statutory Compliance**

##### ***Budgetary Information***

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

The budget process is initiated in January, when the departments are given information and guidelines to assist them in formulating their budget requests. The department heads summarize the departmental appropriation requests and submit them to the manager on or before the second Monday in March. During March, the manager reviews the appropriation requests, meets with departments, and puts together the budget. The budget is submitted to the City Council on or before the first regular meeting in May, as required by the City's Charter. During the next month, the City Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by resolution no later than the first regular meeting in June.

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

## City of Bronson

### Notes to the Financial Statements

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

#### ***Excess of Expenditures Over Appropriations in Budgetary Funds***

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

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

The City had one expenditure in excess of the amount appropriated during the year ended June 30, 2022: the police department had an amended budget of \$513,143 and an actual amount of \$522,143, resulting in a negative budget variance of (\$9,000).

#### **Note 3 - Deposits and Investments**

Following is a reconciliation of deposit and investment balances as of June 30, 2022:

	<b>Primary Government</b>	<b>Component Unit</b>	<b>Totals</b>
<b>Statement of Net Position</b>			
Cash and Investments	\$ 4,585,786	\$ 4,532	\$ 4,590,318
Restricted Cash and Investments	33,026	-	33,026
<b>Statement of Fiduciary Net Position</b>			
Cash and Investments	1,082	-	1,082
<b>Total Cash and Investments</b>	<b>\$ 4,619,894</b>	<b>\$ 4,532</b>	<b>\$ 4,624,426</b>
<b>Deposits and Investments</b>			
Checking and Savings Accounts		\$ 543,402	
Investments		4,080,774	
Petty Cash		250	
<b>Total Deposits and Investments</b>		<b>\$ 4,624,426</b>	

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require, and the City does not have a policy for deposit custodial credit risk. As of year-end, \$1,547,258 of the City's bank balance of \$4,613,861 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial

## City of Bronson

### Notes to the Financial Statements

institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Custodial Credit Risk - Investments.*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, City policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2022, none of the City's investments were exposed to concentration credit risk. Investments for the City consisted of the following types:

Certificates of Deposit	\$ 3,116,500
Money Market	964,274
<b><i>Total Investments</i></b>	<b><u>\$ 4,080,774</u></b>

***Credit Risk.*** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City's investments of \$4,080,774 were not applicable to credit risk ratings.

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

No Maturity	\$ 964,274
Less than 1 Year	2,866,500
More than 1 Year	250,000
<b><i>Total Investments</i></b>	<b><u>\$ 4,080,774</u></b>

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



## City of Bronson

### Notes to the Financial Statements

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#### ***Fair Value Measurements***

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

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

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The City has the following recurring fair value measurements as of June 30, 2022:

- All investments that are categorized as certificate of deposit, cash equivalents, money market, and liquid asset savings, with a balance of \$4,080,774, which are valued using quoted market prices (level 1 inputs).

#### **Note 4 - Interfund Transactions**

Interfund transfers for the year ended June 30, 2022 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Local Streets	General	\$ 50,000
Local Streets	Major Streets	100,000
Nonmajor Governmental	General	24,000
Nonmajor Governmental	Nonmajor Governmental	6,000

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

# City of Bronson

## Notes to the Financial Statements

### Note 5 - Loans Receivable

The City of Bronson issued loans in the community for the purpose of real estate improvements. These loans are non-interest bearing and collectible in varying monthly installments. As of June 30, 2022, loans receivable of \$33,861 are reported net of an allowance of uncollectible accounts of \$0 in the Community Development fund of the City.

### Note 6 - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2022 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 424,389	\$ -	\$ -	\$ 424,389
<b>Capital Assets being Depreciated</b>				
Land Improvements	96,344	-	-	96,344
Buildings and Improvements	471,949	-	-	471,949
Machinery and Equipment	949,898	-	(32,078)	917,820
Vehicles	470,925	52,921	(42,989)	480,857
Streets	839,709	353,701	-	1,193,410
<i>Subtotal</i>	<u>2,828,825</u>	<u>406,622</u>	<u>(75,067)</u>	<u>3,160,380</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	(79,002)	(3,854)	-	(82,856)
Buildings and Improvements	(367,809)	(8,470)	-	(376,279)
Machinery and Equipment	(890,940)	(13,402)	32,078	(872,264)
Vehicles	(351,926)	(43,227)	42,989	(352,164)
Streets	(498,162)	(41,579)	-	(539,741)
<i>Subtotal</i>	<u>(2,187,839)</u>	<u>(110,532)</u>	<u>75,067</u>	<u>(2,223,304)</u>
<b>Capital Assets being Depreciated, net</b>	<u>640,986</u>	<u>296,090</u>	<u>-</u>	<u>937,076</u>
<b>Capital Assets, net</b>	<u>\$ 1,065,375</u>	<u>\$ 296,090</u>	<u>\$ -</u>	<u>\$ 1,361,465</u>

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

<b>Governmental Activities</b>	
Public Safety	\$ 1,971
Public Works	46,219
Recreation and Culture	5,712
Internal Service Fund	56,630
<b>Total Governmental Activities</b>	<u>\$ 110,532</u>

# City of Bronson

## Notes to the Financial Statements

Capital asset activity for business-type activities for the year ended June 30, 2022 was as follows:

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Capital Assets not being Depreciated</b>				
Land	\$ 14,655	\$ 84,661	\$ -	\$ 99,316
Construction in Progress	110,586	-	(110,586)	-
<i>Subtotal</i>	<u>125,241</u>	<u>84,661</u>	<u>(110,586)</u>	<u>99,316</u>
<b>Capital Assets being Depreciated</b>				
Wastewater System	5,954,648	408,534	-	6,363,182
Water System	1,914,108	693,220	(86,730)	2,520,598
<i>Subtotal</i>	<u>7,868,756</u>	<u>1,101,754</u>	<u>(86,730)</u>	<u>8,883,780</u>
<b>Less Accumulated Depreciation</b>				
Wastewater System	(4,443,900)	(125,280)	-	(4,569,180)
Water System	(1,249,607)	(106,547)	86,730	(1,269,424)
<i>Subtotal</i>	<u>(5,693,507)</u>	<u>(231,827)</u>	<u>86,730</u>	<u>(5,838,604)</u>
<b>Capital Assets being Depreciated, net</b>	<u>2,175,249</u>	<u>869,927</u>	<u>-</u>	<u>3,045,176</u>
<b>Capital Assets, net</b>	<u>\$ 2,300,490</u>	<u>\$ 954,588</u>	<u>\$ (110,586)</u>	<u>\$ 3,144,492</u>

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

<b>Business-type Activities</b>	
Wastewater	\$ 125,280
Water	106,547
<b>Total Business-type Activities</b>	<u>\$ 231,827</u>

## Note 7 - Long-term Obligations

The following is a summary of the long-term obligations of the City for the year ended June 30, 2022:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated Absences	\$ 39,195	\$ -	\$ (39,195)	\$ -	\$ -
<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
1993 General Obligation Limited Tax Bonds					
Amount Issued - \$590,000					
Annual Installments of \$5,000 to \$23,000					
Interest Rate 5.00%, Semiannually					
Maturing through 2033	\$ 262,000	\$ -	\$ (20,000)	\$ 242,000	\$ 20,000
Compensated Absences	35,316	-	(35,316)	-	-
<b>Total Business-type Activities</b>	<u>\$ 297,316</u>	<u>\$ -</u>	<u>\$ (55,316)</u>	<u>\$ 242,000</u>	<u>\$ 20,000</u>

# City of Bronson

## Notes to the Financial Statements

The annual requirements to amortize all debt outstanding as of June 30, 2022 are as follows:

<b>Year Ending June 30,</b>	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 20,000	\$ 12,100	\$ 32,100
2024	21,000	11,100	32,100
2025	21,000	10,050	31,050
2026	22,000	9,000	31,000
2027	22,000	7,900	29,900
2028 - 2032	113,000	22,850	135,850
2033	23,000	1,150	24,150
<b>Totals:</b>	<b>\$ 242,000</b>	<b>\$ 74,150</b>	<b>\$ 316,150</b>

### Note 8 - Leases Receivable

The City is reporting total lease receivables of \$617,847 as of June 30, 2022. For fiscal year 2022 the City reported lease revenue of \$24,835 and interest revenue of \$15,617 related to lease payments received. These leases are summarized as follows:

<b>Lease</b>	<b>Lease Receivable</b>	<b>Lease Revenue</b>	<b>Lease Interest Revenue</b>
T-Mobile Cell Tower Agreement	\$ 276,143	\$ 12,101	\$ 6,988
AT&T Cell Tower Agreement	341,704	12,734	8,629
<b>Totals</b>	<b>\$ 617,847</b>	<b>\$ 24,835</b>	<b>\$ 15,617</b>

***T-Mobile Cell Tower Agreement*** – On October 31, 2014 the City entered into a 5-year lease agreement with T-Mobile. This lease agreement included the right to extend this lease for five (5) additional and successive five-year terms. The City plans to execute all extensions. Based on this agreement, the City is receiving monthly payments through 2044.

***AT&A Cell Tower Agreement*** – On October 27, 2017 the City entered into a 5-year lease agreement with AT&T. This lease agreement included the right to extend this lease for five (5) additional and successive five-year terms. The City plans to execute all extensions. Based on this agreement, the City is receiving monthly payments through 2047.

### Note 9 - Defined Benefit Pension Plan

#### *Plan Description*

The City participates in the Municipal Employees Retirement System (MERS) of Michigan, a

## City of Bronson

### Notes to the Financial Statements

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***

Retirement benefits for employees are calculated as follows:

<b>Division</b>	<b>Benefit Multiplier</b>	<b>Benefit Maximum</b>	<b>Final Average Compensation (Years)</b>	<b>Normal Retirement Age</b>	<b>Unreduced Benefit (Age/Years of Service)</b>	<b>Reduced Benefit (Age/Years of Service)</b>	<b>Vesting (Years)</b>
Non-union	1.50%	No Max	5	60	-	50/25 or 55/15	10
Police Officers	1.50%	No Max	5	60	55/20	50/25 or 55/15	10

#### ***Employees Covered by Benefit Terms***

At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	7
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	8
Active Plan Members	<u>12</u>
<b><i>Total Employees Covered By MERS</i></b>	<b><u>27</u></b>

#### ***Contributions***

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. 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 costs of benefits earned by plan members 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.

For the year ended June 30, 2022, the active employee contribution rate and the City's contribution rate was a percentage of covered payroll depending on division, as follows:

<b>Division</b>	<b>Employee Contributions</b>	<b>Employer Contributions</b>
Non-union	13.13%	8.50%
Police Officers	12.44%	7.50%

## City of Bronson

### Notes to the Financial Statements

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#### ***Actuarial Assumptions***

The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

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

Investment Rate of Return: 7.00%, net of investment and administrative expense including inflation

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

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

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Target Allocation Gross Rate of Return</b>	<b>Long-term Expected Gross Rate of Return</b>	<b>Inflation Assumption</b>	<b>Long-term Expected Real Rate of Return</b>
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
<b>Total</b>	<b>100.00%</b>		<b>7.00%</b>		<b>4.50%</b>

#### ***Discount Rate***

The discount rate used to measure the total pension liability in the current year and prior year was 7.25%. 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 the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan

# City of Bronson

## Notes to the Financial Statements

investments was applied to all periods of projected benefit payments to determine the total pension liability.

### *Net Pension Liability*

The net pension liability reported for MERS at June 30, 2022 was determined using a measure of the total pension liability and the pension net position as of December 31, 2021. The December 31, 2021 total pension liability was determined by an actuarial valuation performed as of that date.

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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2020</b>	<u>\$ 2,768,455</u>	<u>\$ 2,148,128</u>	<u>\$ 620,327</u>
<i>Changes for the Year:</i>			
Service Cost	61,224	-	61,224
Interest on Total Pension Liability	207,510	-	207,510
Differences Between Expected and Actual Experience	(42,263)	-	(42,263)
Changes of Assumptions	106,209	-	106,209
Changes in Benefit Terms	10,861	-	10,861
Contributions - Employer	-	55,154	(55,154)
Contributions - Employee	-	81,815	(81,815)
Net Investment Income	-	305,509	(305,509)
Benefit Payments, Including Refunds	(137,331)	(137,331)	-
Administrative Expenses	-	(3,506)	3,506
<i>Net Changes</i>	<u>206,210</u>	<u>301,641</u>	<u>(95,431)</u>
<b>Balance at December 31, 2021</b>	<u>\$ 2,974,665</u>	<u>\$ 2,449,769</u>	<u>\$ 524,896</u>
	<b>Allocated to:</b>		
	Governmental Activities	\$	333,847
	Business-type Activities		191,049
		<u>\$</u>	<u>524,896</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 7.25%, as well as what the employer's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability of the City	<u>\$ 867,348</u>	<u>\$ 524,896</u>	<u>\$ 235,990</u>

# City of Bronson

## Notes to the Financial Statements

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

### *Pension Expense and Deferred Outflows and Inflows of Resources Related to the Pension*

For the year ended June 30, 2022, the City recognized pension expense of \$5,390.

The employer reported deferred outflows and inflows of resources related to the pension from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 176,223
Difference between Expected and Actual Experience	-	92,054
Changes of Assumptions	138,723	-
Employer Contributions to the Plan Subsequent to the Measurement Date*	78,136	-
<b>Totals</b>	<b>\$ 216,859</b>	<b>\$ 268,277</b>
<b>Allocated as Follows:</b>		
Governmental Activities	\$ 137,927	\$ 170,631
Business-type Activities	78,932	97,646
<b>Totals</b>	<b>\$ 216,859</b>	<b>\$ 268,277</b>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the fiscal year ending June 30, 2023.

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

<b>Fiscal Year Ended June 30,</b>	<b>Amount</b>
2023	\$ (10,643)
2024	(56,821)
2025	(33,612)
2026	(28,478)



## City of Bronson

### Notes to the Financial Statements

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#### ***Significant Changes to the Pension Valuation***

Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. Full details of this dedicated gains policy are available in the Actuarial Policy found on the MERS website. Some goals of the dedicated gains policy are to:

- Provide a systematic approach to lower the assumed rate of investment return between experience studies, and
- Use excess gains to cover both the increase in normal cost and any increase in UAL payment the first year after implementation (i.e., minimize the first-year impact (i.e., increase) in employer contributions).

The dedicated gains policy has been implemented with the December 31, 2021 annual actuarial valuation. After initial application of the smoothing method, remaining market gains were used to lower the assumed rate of investment return from 7.35% to 7.00%. The December 31, 2021 valuation liabilities were developed using this new, lower assumption. Additionally, as a result of recognizing excess market gains, the valuation assets used to fund these liabilities are 7.20% higher than if there were no dedicated gain policy. The combined impact of these changes will minimize the first-year impact on employer contributions and may result in an increase or a decrease in employer contributions.

#### **Note 10 - Risk Management**

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical claims, claims relating to general liability and property loss, and participates in the Michigan Municipal League Workers' Compensation Fund risk pool for claims relating to workers' compensation. Settled claims related to commercial insurances have historically not exceeded the City's insurance coverages.

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

#### **Note 11 - Litigation**

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

## City of Bronson

### Notes to the Financial Statements

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#### **Note 12 - Contingencies**

The City receives financial assistance from the federal and state governments in the forms of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal and state regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the granting agencies. Any disallowance as a result of these audits could become a liability of the City. As of June 30, 2022, the City is unable to estimate what liabilities, if any, may result from such audits.

#### **Note 13 – Subsequent Events**

Management is not aware of any subsequent events that would have a significant impact on the financial condition of the City.

#### **Note 14 - Adoption of *GASB Statement No. 87, Leases***

The City adopted the provisions of *GASB Statement No. 87, Leases*, in the current year, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Detailed information can be found in Note 8 of these Notes to the Financial Statements.

## **Required Supplementary Information**

**City of Bronson**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the year Ended June 30, 2022**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 545,166	\$ 545,567	\$ 545,213	\$ (354)
Licenses and Permits	3,500	4,442	4,442	--
Intergovernmental	428,272	588,794	588,309	(485)
Charges for Services	151,610	182,982	184,696	1,714
Fines and Forfeits	9,000	24,186	24,186	--
Interest and Rentals	49,600	47,230	59,598	12,368
<b>Total Revenues</b>	<b>1,187,148</b>	<b>1,393,201</b>	<b>1,406,444</b>	<b>13,243</b>
<b>Expenditures</b>				
<b>General Government</b>				
Administration	435,430	432,901	426,706	6,195
<b>Public Safety</b>				
Police Department	578,202	513,143	522,143	(9,000)
Fire Department	35,546	36,248	36,248	--
<b>Total Public Safety</b>	<b>613,748</b>	<b>549,391</b>	<b>558,391</b>	<b>(9,000)</b>
<b>Public Works</b>				
Department of Public Works	223,172	196,563	196,563	--
<b>Recreation and Culture</b>				
Parks	76,869	54,356	54,356	--
<b>Total Expenditures</b>	<b>1,349,219</b>	<b>1,233,211</b>	<b>1,236,016</b>	<b>(2,805)</b>
<b>Other Financing Uses</b>				
Transfers Out	124,000	74,000	74,000	--
<b>Total Expenditures and Other Financing Uses</b>	<b>1,473,219</b>	<b>1,307,211</b>	<b>1,310,016</b>	<b>(2,805)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>	<b>(286,071)</b>	<b>85,990</b>	<b>96,428</b>	<b>10,438</b>
<b>Net Change in Fund Balance</b>	<b>(286,071)</b>	<b>85,990</b>	<b>96,428</b>	<b>10,438</b>
<b>Fund Balance at Beginning of Period</b>	<b>1,180,625</b>	<b>1,180,625</b>	<b>1,180,625</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 894,554</b>	<b>\$ 1,266,615</b>	<b>\$ 1,277,053</b>	<b>\$ 10,438</b>

**City of Bronson**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Major Streets**  
**For the year Ended June 30, 2022**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 242,785	\$ 245,777	\$ 245,330	\$ (447)
Interest and Rentals	250	823	826	3
<b>Total Revenues</b>	<b>243,035</b>	<b>246,600</b>	<b>246,156</b>	<b>(444)</b>
<b>Expenditures</b>				
Department of Public Works	118,896	53,728	53,728	--
<b>Total Expenditures</b>	<b>118,896</b>	<b>53,728</b>	<b>53,728</b>	<b>--</b>
<b>Other Financing Uses</b>				
Transfers Out	100,000	100,000	100,000	--
<b>Total Expenditures and Other Financing Uses</b>	<b>218,896</b>	<b>153,728</b>	<b>153,728</b>	<b>--</b>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>	<b>24,139</b>	<b>92,872</b>	<b>92,428</b>	<b>(444)</b>
<b>Net Change in Fund Balance</b>	<b>24,139</b>	<b>92,872</b>	<b>92,428</b>	<b>(444)</b>
<i>Fund Balance at Beginning of Period</i>	<i>271,792</i>	<i>271,792</i>	<i>271,792</i>	<i>--</i>
<b>Fund Balance at End of Period</b>	<b>\$ 295,931</b>	<b>\$ 364,664</b>	<b>\$ 364,220</b>	<b>\$ (444)</b>

**City of Bronson**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Local Streets**  
**For the year Ended June 30, 2022**

	<b>Budgeted Amounts</b>			<b>Variance Positive (Negative) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Intergovernmental	\$ 506,013	\$ 365,661	\$ 365,955	\$ 294
Interest and Rentals	200	525	526	1
<b>Total Revenues</b>	<b>506,213</b>	<b>366,186</b>	<b>366,481</b>	<b>295</b>
<b>Other Financing Sources</b>				
Transfers In	200,000	150,000	150,000	--
<b>Total Revenues and Other Financing Sources</b>	<b>706,213</b>	<b>516,186</b>	<b>516,481</b>	<b>295</b>
<b>Expenditures</b>				
Department of Public Works	664,243	431,832	432,292	(460)
<b>Total Expenditures</b>	<b>664,243</b>	<b>431,832</b>	<b>432,292</b>	<b>(460)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</b>	<b>41,970</b>	<b>84,354</b>	<b>84,189</b>	<b>(165)</b>
<b>Net Change in Fund Balance</b>	<b>41,970</b>	<b>84,354</b>	<b>84,189</b>	<b>(165)</b>
<i>Fund Balance at Beginning of Period</i>	220,860	220,860	220,860	--
<b>Fund Balance at End of Period</b>	<b>\$ 262,830</b>	<b>\$ 305,214</b>	<b>\$ 305,049</b>	<b>\$ (165)</b>

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

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Service Cost	\$ 61,224	\$ 60,685	\$ 57,350	\$ 50,344	\$ 49,594	\$ 48,643	\$ 37,584	\$ 42,986
Interest on Total Pension Liability	207,510	196,623	194,077	185,553	177,338	172,980	153,792	143,063
Changes in Benefit Terms	10,861	(3,904)	(10,083)	(4,779)	2,616	3,881	(29,069)	-
Differences Between Expected and Actual Experience	(42,263)	(69,324)	(49,566)	(28,013)	(46,570)	(6,925)	44,110	-
Changes of Assumptions**	106,209	78,794	78,683	-	-	-	104,954	-
Benefit Payments, Including Refunds	(137,331)	(102,444)	(119,459)	(80,656)	(80,656)	(78,638)	(72,472)	(74,562)
Other Changes	-	-	-	-	(1)	(6,292)	(1,668)	-
<b>Net Change in Pension Liability</b>	<b>206,210</b>	<b>160,430</b>	<b>151,002</b>	<b>122,449</b>	<b>102,321</b>	<b>133,649</b>	<b>237,231</b>	<b>111,487</b>
<i>Total Pension Liability - Beginning</i>	<i>2,768,455</i>	<i>2,608,025</i>	<i>2,457,023</i>	<i>2,334,574</i>	<i>2,232,253</i>	<i>2,098,604</i>	<i>1,861,373</i>	<i>1,749,886</i>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 2,974,665</b>	<b>\$ 2,768,455</b>	<b>\$ 2,608,025</b>	<b>\$ 2,457,023</b>	<b>\$ 2,334,574</b>	<b>\$ 2,232,253</b>	<b>\$ 2,098,604</b>	<b>\$ 1,861,373</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ 55,154	\$ 55,287	\$ 55,445	\$ 251,764	\$ 51,363	\$ 50,666	\$ 43,251	\$ 38,729
Contributions - Employee	81,815	72,128	66,627	59,030	49,785	41,651	37,132	36,616
Net Investment Income (Loss)	305,509	249,114	226,754	(66,083)	174,574	133,591	(17,966)	69,909
Benefit Payments, Including Refunds	(137,331)	(102,444)	(119,459)	(80,656)	(80,656)	(78,638)	(72,472)	(74,562)
Administrative Expenses	(3,506)	(3,842)	(3,909)	(3,129)	(2,758)	(2,634)	(2,591)	(2,573)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>301,641</b>	<b>270,243</b>	<b>225,458</b>	<b>160,926</b>	<b>192,308</b>	<b>144,636</b>	<b>(12,646)</b>	<b>68,119</b>
<i>Plan Fiduciary Net Position - Beginning</i>	<i>2,148,128</i>	<i>1,877,885</i>	<i>1,652,427</i>	<i>1,491,501</i>	<i>1,299,193</i>	<i>1,154,557</i>	<i>1,167,203</i>	<i>1,099,084</i>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 2,449,769</b>	<b>\$ 2,148,128</b>	<b>\$ 1,877,885</b>	<b>\$ 1,652,427</b>	<b>\$ 1,491,501</b>	<b>\$ 1,299,193</b>	<b>\$ 1,154,557</b>	<b>\$ 1,167,203</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 524,896</b>	<b>\$ 620,327</b>	<b>\$ 730,140</b>	<b>\$ 804,596</b>	<b>\$ 843,073</b>	<b>\$ 933,060</b>	<b>\$ 944,047</b>	<b>\$ 694,170</b>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.4%	77.6%	72.0%	67.3%	63.9%	58.2%	55.0%	62.7%
Covered Payroll	\$ 667,759	\$ 679,435	\$ 680,835	\$ 636,341	\$ 621,433	\$ 600,891	\$ 521,335	\$ 595,833
Net Pension Liability as a Percentage of Covered Payroll	78.6%	91.3%	107.2%	126.4%	135.7%	155.3%	181.1%	116.5%

**Notes to Schedule:**

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

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

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

**City of Bronson**  
**Required Supplementary Information**  
**Schedule of Contributions \***  
**Last Eight Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 55,901	\$ 55,317	\$ 55,445	\$ 51,764	\$ 51,363	\$ 50,666	\$ 43,251	\$ 38,729
Contributions in Relation to the Actuarially Determined Contribution	105,901	55,317	55,445	251,764	51,363	50,666	43,251	38,729
Contribution Deficiency (Excess)	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 682,408	\$ 678,367	\$ 680,835	\$ 636,341	\$ 621,433	\$ 600,891	\$ 521,335	\$ 595,833
Contributions as a Percentage of Covered Payroll	15.5%	8.2%	8.1%	39.6%	8.3%	8.4%	8.3%	6.5%

*Notes*

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

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	17 Years
Asset Valuation Method	5 Years; Smoothed
Inflation	2.50%
Salary Increases	3.00% Wage Inflation with 0.00%-11.00% Merit and Longevity Increases (3.75% for 2015 through 2019)
Investment Rate of Return	7.00%, Net of Investment Expense, including Inflation (7.75% for 2015 through 2019, 7.35% for 2020 through 2021)
Retirement Age	Experience-Based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	Rates Used were Based on the Pub-2010 Group Annuity Mortality Table of a 50% Male and 50% Female Blend

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



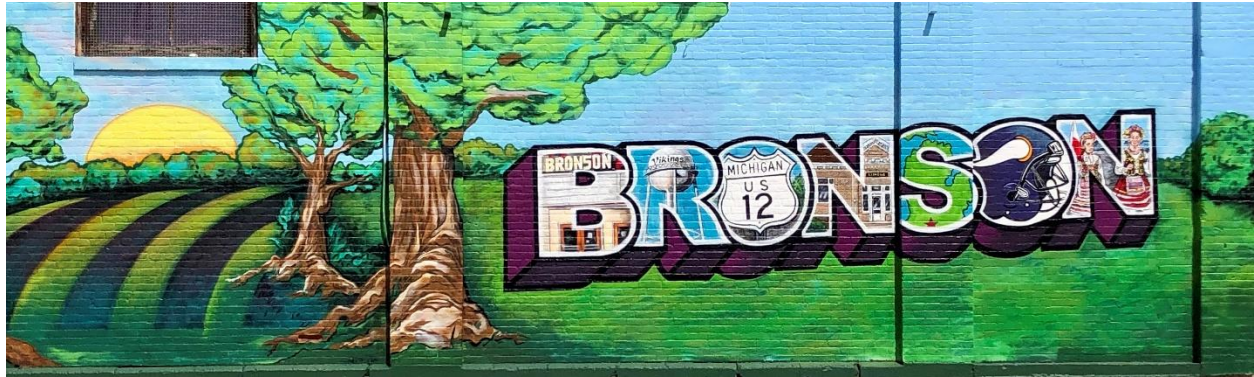
## **Combining and Individual Fund Statements and Schedules**

**City of Bronson**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2022**

	Special Revenue			Permanent		Total Nonmajor Governmental Funds
	Fire Sinking Fund	Cemetery	Community Development	Cemetery Perpetual Care	Cemetery Development Fund	
<b>ASSETS</b>						
Cash and Investments	\$ 185,645	\$ 43,483	\$ 31,310	\$ 5,573	\$ 15,251	\$ 281,262
Receivables, net	--	--	33,861	--	--	33,861
Prepaid Items	--	513	--	--	--	513
<b>Total Assets</b>	<b>\$ 185,645</b>	<b>\$ 43,996</b>	<b>\$ 65,171</b>	<b>\$ 5,573</b>	<b>\$ 15,251</b>	<b>\$ 315,636</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ 1,804	\$ --	\$ --	\$ --	\$ 1,804
Payroll Related Liabilities	--	100	--	--	--	100
<b>Total Liabilities</b>	<b>--</b>	<b>1,904</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,904</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	--	--	32,961	--	--	32,961
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>--</b>	<b>1,904</b>	<b>32,961</b>	<b>--</b>	<b>--</b>	<b>34,865</b>
<b>FUND BALANCE</b>						
Nonspendable	--	513	--	--	--	513
Restricted	185,645	41,579	--	5,573	15,251	248,048
Committed	--	--	32,210	--	--	32,210
Unassigned	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>185,645</b>	<b>42,092</b>	<b>32,210</b>	<b>5,573</b>	<b>15,251</b>	<b>280,771</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 185,645</b>	<b>\$ 43,996</b>	<b>\$ 65,171</b>	<b>\$ 5,573</b>	<b>\$ 15,251</b>	<b>\$ 315,636</b>

**City of Bronson**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the year Ended June 30, 2022**

	<b>Special Revenue</b>			<b>Permanent</b>		<b>Total Nonmajor Governmental Funds</b>
	<b>Fire Sinking Fund</b>	<b>Cemetery</b>	<b>Community Development</b>	<b>Cemetery Perpetual Care</b>	<b>Cemetery Development Fund</b>	
<b>Revenues</b>						
Property Taxes	\$ 29,763	\$ --	\$ --	\$ --	\$ --	\$ 29,763
Charges for Services	--	6,497	--	300	--	6,797
Interest and Rentals	461	59	64	31	3,005	3,620
Other Revenue	--	--	20,247	--	--	20,247
<b>Total Revenues</b>	<b>30,224</b>	<b>6,556</b>	<b>20,311</b>	<b>331</b>	<b>3,005</b>	<b>60,427</b>
<b>Expenditures</b>						
General Government	--	18,057	--	--	--	18,057
Community and Economic Development	--	--	2,907	--	--	2,907
<b>Total Expenditures</b>	<b>--</b>	<b>18,057</b>	<b>2,907</b>	<b>--</b>	<b>--</b>	<b>20,964</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>30,224</b>	<b>(11,501)</b>	<b>17,404</b>	<b>331</b>	<b>3,005</b>	<b>39,463</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	--	30,000	--	--	--	30,000
Transfers Out	--	--	--	(6,000)	--	(6,000)
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>30,000</b>	<b>--</b>	<b>(6,000)</b>	<b>--</b>	<b>24,000</b>
<b>Net Change in Fund Balance</b>	<b>30,224</b>	<b>18,499</b>	<b>17,404</b>	<b>(5,669)</b>	<b>3,005</b>	<b>63,463</b>
<i>Fund Balance at Beginning of Period</i>	155,421	23,593	14,806	11,242	12,246	217,308
<b>Fund Balance at End of Period</b>	<b>\$ 185,645</b>	<b>\$ 42,092</b>	<b>\$ 32,210</b>	<b>\$ 5,573</b>	<b>\$ 15,251</b>	<b>\$ 280,771</b>



**CITY OF BRONSON  
BRANCH COUNTY, MICHIGAN  
SINGLE AUDIT ACT COMPLIANCE  
YEAR ENDED JUNE 30, 2022**

**City of Bronson**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Assistance Listing Number</i>	<i>Current Year Expenditures</i>
<b>U.S. Department of Housing and Urban Development:</b>		
<i>Passed Through Michigan Economic Development Corporation:</i>		
Community Development Block Grant / B-17-DC-26-0001 / MSC 219022-IR	14.228	\$ 950,854
<b>Total U.S. Department of Housing and Urban Development</b>		950,854
<b>U.S. Department of Treasury:</b>		
<i>Passed Through Michigan Department of Treasury:</i>		
American Rescue Plan Act (ARPA) Coronavirus Local Fiscal Recovery Fund (CLFRF)	21.027	242,019
<b>Total U.S. Department of Treasury</b>		242,019
<b>Total Federal Financial Assistance</b>		<b>\$ 1,192,873</b>

See Notes to the Schedule of Expenditures of Federal Awards

## City of Bronson

### Notes to the Schedule of Expenditures of Federal Awards

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#### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Bronson's, Michigan (the "City") under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

#### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the City's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

The City has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

#### **Note 3 - Reconciliation to the Schedule of Expenditures of Federal Awards**

Intergovernmental revenues reported in the fund financial statements and operating and capital grants in the proprietary funds financial statements reconcile with the federal expenditures reported in the Schedule as follows:

##### **Federal Revenue Reported in the Financial Statements**

Governmental Funds	
Intergovernmental Revenues	\$ 1,199,594
Business-type Funds	
Operating Grants	86,653
Capital Grants	800,403
<b>Subtract</b>	
State Sources	(893,777)
<b><i>Total Expenditures of Federal Awards</i></b>	<b><u>\$ 1,192,873</u></b>

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  
Bronson, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bronson, Michigan (the "City"), as of and for the year ended June 30, 2022, 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 21, 2022.

***Report on Internal Control over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses, described in the accompanying schedule of findings and questions costs, identified as 2022-01 and 2022-02.

### ***Report on Compliance and Other Matters***

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

### ***City of Bronson's Responses to Findings***

The City's responses to the findings identified in our audit is described in the accompanying schedule of findings and questions costs. 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 This Report***

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



Gabridge & Company, PLC  
Sturgis, MI  
December 21, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

To the Members of the City Council  
Bronson, Michigan

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City of Bronson's, Michigan (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Gabridge & Company, PLC  
Sturgis, MI  
December 21, 2022

**City of Bronson**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

<b>SECTION I - SUMMARY OF AUDITOR'S RESULTS</b>
---

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No (none reported)
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Name of Federal Program or Cluster	ALN Number
Community Development Block Grant	14.228
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	No

<b>SECTION II - FINANCIAL STATEMENT FINDINGS</b>
--

See 2022-001 and 2022-02 in the Schedule of Findings and Responses.

<b>SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</b>
--

No findings or questioned costs.

<b>SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS</b>
---

See 2022-001 and 2022-02 in the Schedule of Findings and Responses, both are repeat findings.

## City of Bronson

### Schedule of Findings and Responses

---

#### ***Material Weakness***

#### **2022-001 Segregation of Incompatible Duties and Documented Independent Review (*repeat finding*)**

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

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

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

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

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

#### **Views of Responsible**

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

#### **Planned Corrective**

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

## City of Bronson

### Schedule of Findings and Responses

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#### ***Material Weakness***

#### **2022-002 Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements (*repeat finding*)**

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

## City of Bronson

### Schedule of Findings and Responses

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#### Planned Corrective

##### Action:

The City will continue to rely on its outside auditors to assist in preparing the GAAP basis financial statements and will evaluate annually for the need to change.

December 21, 2022

To the Members of the City Council  
Bronson, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Bronson (the “City”) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 October 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. There were no new accounting policies adopted, except as stated in Note 14 to the financial statements, and the application of existing policies was not changed during the fiscal year ended June 30, 2022. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.
- 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.

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



### ***Difficulties Encountered in Performing the Audit***

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

### ***Corrected and Uncorrected Misstatements***

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

### ***Disagreements with Management***

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

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 21, 2022.

### ***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.

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the City. The results of that audit are provided to City Council in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated December 21, 2022.

### ***Other Matters***

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

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

### ***Restriction on Use***

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

Very truly yours,

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

Gabridge & Company, PLC  
Sturgis, MI