

# **Bronson Community Schools**

Financial Report  
With Supplementary Information

Year Ended June 30, 2019

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Issued Under  
Separate  
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## **Independent Auditors' Report**

Board of Education  
Bronson Community Schools  
Bronson, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of June 30, 2019, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Board of Education  
Bronson Community Schools

***Other Matters***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report (under separate cover) dated September 3, 2019, on our consideration of Bronson Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bronson Community Schools' internal control over financial reporting and compliance.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

September 3, 2019

**Bronson Community Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2019

As administration of Bronson Community Schools, Counties of Branch and St. Joseph, State of Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

**Financial Highlights**

- Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented in fiscal year 2015. The purpose of this standard is to improve accounting and financial reporting for pensions. It established standards for measuring and recognizing pension liabilities, pension expenses, and the related deferred inflows and deferred outflows of resources. Implementation of this standard requires recording of the full unfunded portion of the District's pension plan administered through the Michigan Public School Employees' Retirement System (MPERS). The unfunded pension liability has been established through actuarial valuations and will be amortized over a 21 year period beginning October 1, 2017 and ending September 30, 2038. With the recording of this pension liability, the liabilities of the District exceeded its assets. The balance of the net position at the close of the most recent fiscal year was \$(9,144,168), a negative net position.
- The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. The changes required under this standard are significant at the government-wide level. The Standard requires reporting related to postemployment benefits other than pensions (OPEB) similar to reporting in regards to pension plans. These requirements include recording a proportionate share of the net OPEB liability, recording a proportionate share of OPEB expense and certain required disclosures and required supplementary information. The Standard has no affect on the statements at the fund level.
- The District's total net position increased by \$468,098. The increase represents an increase in ongoing revenues and decreases in ongoing expenditures.
- As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was \$4,134,018 or approximately 40 percent of the total expenditures of these funds.
- The General Fund had a net change in fund balance of \$328,252. At the end of the year, the total fund balance for the General Fund was \$3,004,428 or approximately 30 percent of the total General Fund expenditures and outgoing transfers.
- In a prior fiscal year, the taxpayers of the District approved a Sinking Fund tax levy of 2.0 mills for five years to make improvements to the school facilities. Some of the improvements that have been completed this year include replacing plumbing fixtures throughout the district, and a district wide rekeying project to minimize the number of keys needed. We began a couple of projects at the Jr./Sr. High School that will be finished up next fiscal year and those projects included uni-vent replacement and bleacher upgrades in the gymnasium. The property tax revenue for the fiscal year restricted to Sinking Fund capital improvement expenditures totaled approximately \$455,000.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements.

**Bronson Community Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2019

For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant funds – the General Fund and the Sinking Fund as well as the District's non-major fund, the Food Service Fund.

**Reporting the District as a Whole**

**The Statement of Net Position and Statement of Activities** – One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations.

The Statement of Net Position and Statement of Activities report the governmental activities for the District. These services include instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues, (unrestricted and restricted State Aid), and charges for services finance most of these activities. All of the current year's revenues and expenses for these services are taken into consideration regardless of when cash is received or paid.

The Statement of Net Position reports the District's net position, the difference between assets and deferred outflows, and liabilities and deferred inflows. The Statement of Activities reports the District's change in net position, the revenues less expenses for the fiscal year, either as an increase or a decrease, or in other words, the operating results for the year. However, the School District's goal is to provide services to its students, not to generate profits, as private-sector corporations do.

These two statements report the District's net position and changes in net position. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The district-wide financial statements can be found on pages 1- 2 of this report.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements** – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Accounting Manual*.

**Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

**Bronson Community Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2019

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

**Fiduciary Funds** – The District is the fiduciary for various student group activities and scholarships. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary funds are reported in a separate statement of fiduciary net position and are presented on the full accrual basis of accounting.

The basic fiduciary fund financial statements can be found on pages 7 – 8 of this report.

**Additional Information** – The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 9 – 24 of this report.

**Government-Wide Financial Analysis**

The government-wide financial analysis focuses on the net position and changes in net position of the District's governmental activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following is a summary of the School District's net position as of June 30, 2019 and 2018:

	<b><u>Governmental Activities</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Current assets	\$ 5,485,811	\$ 4,713,663
Non-current assets	<u>4,232,791</u>	<u>4,085,588</u>
Total assets	<u>9,718,602</u>	<u>8,799,251</u>
Deferred outflows of resources	<u>6,070,971</u>	<u>3,360,450</u>
Current liabilities	1,351,793	1,236,497
Non-current liabilities	<u>20,674,320</u>	<u>18,974,302</u>
Total liabilities	<u>22,026,113</u>	<u>20,210,799</u>
Deferred inflows of resources	<u>2,907,628</u>	<u>1,561,168</u>
Net position:		
Invested in capital assets – net of related debt	4,232,791	4,085,588
Restricted for capital projects	896,717	515,174
Unrestricted	<u>(14,273,676)</u>	<u>(14,213,028)</u>
Total net position	<u>\$ (9,144,168)</u>	<u>\$ (9,612,266)</u>

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and the reconciliation appears on page 4.

By far the largest portion of the District's positive net position reflects its investment in capital assets (i.e. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Bronson Community Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2019

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Typically, one portion of the District's net position, the *restricted* portion, represents resources that are subject to external restrictions on how they may be used. In the case of the School District, *restricted* net position is related to property taxes collected for sinking fund capital projects not spent at year-end. The *unrestricted* balance of \$(14,273,676), which is a *negative* net position, is negative as a result of the pension and OPEB liabilities. The pension and OPEB liabilities at fiscal year-end are expected to be reduced to \$0 over an approximate 21-year period.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities, which depicts the changes in net position.

The following is a summary of the change in net position for the year ended June 30, 2019 and 2018.

	<u><b>Governmental Activities</b></u>	
	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 298,681	\$ 299,544
Operating grants	2,104,542	2,070,794
General revenues:		
Property taxes	1,513,722	1,467,528
Grants and state aid	7,172,711	7,080,423
Other	<u>157,351</u>	<u>66,742</u>
Total revenues	<u>11,247,007</u>	<u>10,985,031</u>
<b>Functions/Program Expenses:</b>		
Instruction	6,365,408	5,985,623
Support services	3,744,810	3,570,090
Food service activities	652,280	605,047
Other	11,969	4,496
Capital outlay	<u>4,442</u>	<u>24,423</u>
Total expenses	<u>10,778,909</u>	<u>10,189,679</u>
 Increase (decrease) in net position	 468,098	 795,352
Net position, beginning of year	<u>(9,612,266)</u>	<u>(10,407,618)</u>
 Ending net position	 <u>\$ (9,144,168)</u>	 <u>\$ (9,612,266)</u>

The District's net position increased by \$468,098 during the current fiscal year. The increase in net position differs from the change in fund balances and the reconciliation appears on page 6.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**General Fund Budgeting and Operating Highlights**

The School District's budgets are prepared according to Michigan Law. The most significant budgeted funds are the General Fund and the Food Service Fund.



**Bronson Community Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2019

During the fiscal year ended June 30, 2019, the School District amended the budgets of these governmental funds twice. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The General Fund actual revenue and other financing sources was \$10,163,726. That amount is slightly above the amended budget estimate of \$10,140,371. The variance (0.02%) was due in most part to year-end adjustments in state revenues as well as a decrease in the federal revenues area.

The actual expenditures and other financing uses of the General Fund were \$9,835,474, which is below the amended budget estimate of \$9,932,394. The \$96,920 variance (1.0%) was due to mid-year changes in discretionary expenditures at the District level in response to the changes in anticipated revenues, as well as, the unpredictability of the retirement amounts due to several allowable plans combined with the ability to change plans at any time throughout the year. More details of these changes may be found in the District budget amendment resolutions.

The General Fund had total revenues of \$10,163,726 and total expenditures of \$9,835,474 with a net change in fund balance of \$328,252 and an ending fund balance of \$3,004,428. The current year net increase was somewhat expected going into this year due to making the necessary cuts in prior years. We are slowly adding staffing to meet student's needs, keeping in mind the continuing issues of losing students and still trying to find a good balance between the two. Over the last couple of years, we have begun looking at our curriculum and updating it as funds are available.

There were no significant differences between the final budget and actual amounts.

**Capital Asset and Debt Administration**

**Capital Assets** – At the end of the fiscal year 2019, the School District had \$10,529,800 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$6,297,009 in depreciation has been taken over the years. We currently have a net book value of \$4,232,791.

	<b><u>Governmental Activities</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Land	\$ 62,200	\$ 62,200
Buildings and improvements	6,779,160	6,739,526
Furniture and equipment	2,625,451	3,450,228
Buses and other vehicles	<u>1,062,989</u>	<u>927,415</u>
Total capital assets	<u>10,529,800</u>	<u>11,179,369</u>
Less accumulated depreciation	<u>6,297,009</u>	<u>7,093,781</u>
Net capital assets	<u>\$ 4,232,791</u>	<u>\$ 4,085,588</u>

Major capital asset events during the current fiscal year included the following:

Purchase of two new copiers, one at the admin office (\$5,950), and one at the Jr./Sr. High School (\$7,953), football scoreboard (\$15,827), gymnasium floor covering (\$8,577), food service equipment (\$77,194), donated weight room equipment (\$20,000), and two buses (\$177,053).

**Long-Term Debt** – State statutes limit the amount of general obligation debt that a school district may issue to 15 percent of its total assessed valuation (State Equalized Value). At June 30, 2019, the District had no long-term bonded debt outstanding. There was no new borrowing this year including State Aid notes.

**Bronson Community Schools**  
Management's Discussion and Analysis  
Year Ended June 30, 2019

The District does have a long-term pension liability, netted with related deferred inflows and deferred outflows of resources, of approximately \$13,000,000. This liability is being amortized over a 21 year period. The District also has a long-term OPEB liability, netted with related deferred inflows and deferred outflows of resources, of approximately \$4,500,000. For the 2019 fiscal year, this liability is being amortized over a 21 year period. See Note 7 for further information.

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

On March 15, 1994, the electors of the State of Michigan approved a ballot proposition to amend the State Constitution of 1963, in part, to increase the State sales tax from 4% to 6% as part of a complex plan to restructure the source of funding of public education (K-12) in order to reduce reliance on local property taxes for school operating purposes and to equalize the per pupil finance resource disparities among school districts. The State Aid package passed by the Legislature as part of the school finance reform legislation instituted a per pupil foundation guarantee beginning in fiscal year 1994-1995. The foundation allowance has not been established for 2019-2020 as of yet. The foundation guarantee consists of the locally raised property taxes plus State Aid. The source of revenues for the State's contribution to the foundation allowance is derived from a mix of taxing sources, including but not limited to, a State-wide property tax of six mills on all property (homestead and non-homestead), a State sales and use tax, a real estate transfer tax and a cigarette tax. One additional factor for Bronson Community Schools is the loss of revenue due to a "Headlee Rollback." This occurs when the revenue generated by the increase in taxable values of property in the District outstrips the rate of inflation. This has caused the District to rollback the millage it may levy on all non-homestead property to 17.7264 mills instead of the 18 mills that have been voter approved. Consequently, the District has lost over \$179,016 in revenue since '04-'05. The loss will be approximately \$16,000 per year. If the State does not receive enough revenue to support enacted State School Aid Budgets we could have our State Aid payments reduced during the year which has happened in the past.

This year it has been extremely challenging to create a budget with no idea where our funding will land, on top of changes in the costs for the retirement contributions along with reductions in federal funding. We are very fortunate that we have a good fund equity and have been very responsible in years past with the funds that we have been provided. We are continuing to look for ways to upgrade our facilities, while continuing to be able to adequately support our staff and student needs as they arise.

The following factors were considered in preparing the District's budgets for the 2019-2020 fiscal year:

- Foundation allowance of approximately \$7,871 per pupil – No increase from 2018-2019
- Section 22d rural district - \$44 per pupil
- Student enrollment projected at 15 FTE lower than the February count for 2018-2019
- Hiring of a second counselor at the Jr./Sr. High with a focus on 6-8<sup>th</sup> grade
- Increase of salaries district wide by 1.50%
- Increased revenue for the MPSERS Stabilization funds to 13.53%.
- Retirement blended rate including the MPSERS Stabilization increased from 39.55% to 40.87%

Additional detail is available through analyzing District budgets and supporting documents for '19-'20.

**Requests for Information**

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

Mrs. Rachelle Roby, Business Manager  
Bronson Community Schools  
501 E. Chicago St.  
Bronson, MI 49028

Phone 517.369.3241  
Fax 517.369.2802  
E-mail [robyr@bronsonschoools.org](mailto:robyr@bronsonschoools.org)

**Bronson Community Schools**  
Statement of Net Position  
June 30, 2019

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 3,843,138
Receivables:	
Due from other governmental units	1,591,196
Inventories	4,167
Prepaid expenses	47,310
Capital assets less accumulated depreciation	4,232,791
Total assets	9,718,602
<b>Deferred Outflows of Resources:</b>	
Pension related	5,281,294
OPEB related	789,677
Total deferred outflows of resources	6,070,971
<b>Liabilities:</b>	
Accounts payable and accrued expenses	1,117,492
Unearned revenue	234,301
Net pension liability	16,362,716
Net OPEB liability	4,311,604
Total liabilities	22,026,113
<b>Deferred Inflows of Resources:</b>	
Pension related	1,912,057
OPEB related	995,571
Total deferred inflows of resources	2,907,628
<b>Net Position:</b>	
Net investment in capital assets	4,232,791
Restricted for:	
Capital projects	896,717
Unrestricted	(14,273,676)
Total net position	\$ (9,144,168)

**Bronson Community Schools**  
Statement of Activities  
Year Ended June 30, 2019

<b>Funtions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Governmental Activities Net (Expenses) Revenues and Change in Net Position</b>
<b>Primary government</b>				
Governmental activities:				
Instruction	\$ 6,365,408	\$ -	\$ 1,546,421	\$ (4,818,987)
Support services	3,744,810	112,052	63,238	(3,569,520)
Food service activities	652,280	186,629	494,883	29,232
Community services	11,969	-	-	(11,969)
Capital outlay	4,442	-	-	(4,442)
Total governmental activities	<u>\$ 10,778,909</u>	<u>\$ 298,681</u>	<u>\$ 2,104,542</u>	<u>\$ (8,375,686)</u>
<b>General revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				1,061,871
Property taxes, levied for capital projects				451,851
State aid not restricted to specific purposes				7,172,711
Interest and investment earnings				45,935
Other				111,416
Total general revenues				<u>8,843,784</u>
<b>Change in Net Position</b>				468,098
<b>Net Position - Beginning of Year</b>				<u>(9,612,266)</u>
<b>Net Position - End of Year</b>				<u>\$ (9,144,168)</u>

## Bronson Community Schools

Balance Sheet  
Governmental Funds  
June 30, 2019

	General Fund	Sinking Fund	Nonmajor Food Service Fund	Total Governmental Funds
<b><u>Assets</u></b>				
Cash and investments	\$ 2,746,494	\$ 897,946	\$ 198,698	\$ 3,843,138
Due from other governments	1,587,003	-	4,193	1,591,196
Inventories	-	-	4,167	4,167
Prepaid expenditures	3,500	-	43,810	47,310
Total assets	\$ 4,336,997	\$ 897,946	\$ 250,868	\$ 5,485,811
 <b><u>Liabilities and Fund Balance</u></b>				
<b>Liabilities:</b>				
Accounts payable	\$ 28,305	\$ 1,229	\$ 12,752	\$ 42,286
Unearned revenue	229,058	-	5,243	234,301
Salaries payable	623,081	-	-	623,081
Accrued expenditures	452,125	-	-	452,125
Total liabilities	1,332,569	1,229	17,995	1,351,793
 <b>Fund Balances:</b>				
Nonspendable:				
Inventories	-	-	4,167	4,167
Prepaid expenditures	3,500	-	43,810	47,310
Restricted:				
Food services	-	-	184,896	184,896
Capital projects	-	896,717	-	896,717
Assigned for subsequent year expenditures	219,601	-	-	219,601
Unassigned	2,781,327	-	-	2,781,327
Total fund balances	3,004,428	896,717	232,873	4,134,018
Total liabilities and fund balances	\$ 4,336,997	\$ 897,946	\$ 250,868	\$ 5,485,811

## Bronson Community Schools

Reconciliation of Fund Balances on the Balance Sheet of Governmental Funds to  
Net Position of Governmental Activities on the Statement of Net Position  
June 30, 2019

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<b>Total Fund Balances - Governmental Funds</b>	\$	4,134,018
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in government activities are not financial resources and therefore are not reported in the funds.		
The cost of capital assets is	\$ 10,529,800	
Accumulated depreciation is	<u>(6,297,009)</u>	
		4,232,791
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	(16,362,716)	
Net OPEB liability	(4,311,604)	
Deferred outflows related to the net pension liability	5,281,294	
Deferred outflows related to the net OPEB liability	789,677	
Deferred inflows related to the net pension liability	(1,912,057)	
Deferred inflows related to the net OPEB liability	<u>(995,571)</u>	
		(17,510,977)
<b>Total Net Position - Governmental Activities</b>	<u>\$</u>	<u>(9,144,168)</u>

**Bronson Community Schools**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
June 30, 2019

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Nonmajor Food Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local sources	\$ 1,173,923	\$ 451,851	\$ 187,129	\$ 1,812,903
State sources	8,372,504	-	27,743	8,400,247
Federal sources	443,755	-	467,140	910,895
Investment earnings	42,628	3,307	-	45,935
Interdistrict and other	110,916	-	-	110,916
Total revenues	<u>10,143,726</u>	<u>455,158</u>	<u>682,012</u>	<u>11,280,896</u>
<b>Expenditures:</b>				
Instruction	6,074,352	-	-	6,074,352
Support services	3,749,153	-	-	3,749,153
Food service activities	-	-	714,955	714,955
Community services	11,969	-	-	11,969
Capital outlay	-	73,615	-	73,615
Total expenditures	<u>9,835,474</u>	<u>73,615</u>	<u>714,955</u>	<u>10,624,044</u>
<b>Revenues Over (Under) Expenditures</b>	<u>308,252</u>	<u>381,543</u>	<u>(32,943)</u>	<u>656,852</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	20,000	-	-	20,000
Transfers out	-	-	(20,000)	(20,000)
Total other financing sources (uses)	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>
<b>Net Changes in Fund Balances</b>	328,252	381,543	(52,943)	656,852
<b>Fund Balances - Beginning of Year</b>	<u>2,676,176</u>	<u>515,174</u>	<u>285,816</u>	<u>3,477,166</u>
<b>Fund Balances - End of Year</b>	<u>\$ 3,004,428</u>	<u>\$ 896,717</u>	<u>\$ 232,873</u>	<u>\$ 4,134,018</u>

**Bronson Community Schools**  
 Reconciliation of the Statement of Revenue, Expenditures and Charges in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2019

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**Net Change in Fund Balances - Total Governmental Funds** \$ 656,852

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$ (266,928)	
Capital outlay	<u>414,130</u>	
		147,202

Governmental funds report the required pension/OPEB contributions for the fiscal year June 30, 2019 as an expenditure. The Statement of Activities reports the fully accrued pension/OPEB expense based upon a September year-end to coincide with the State of Michigan's fiscal year.

Changes in pension related liabilities and deferrals	(504,812)	
Changes in OPEB related liabilities and deferrals	<u>168,856</u>	
		<u>(335,956)</u>

**Change in Net Position of Governmental Activities** \$ 468,098



**Bronson Community Schools**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2019

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 46,627	\$ 169,960
<b>Liabilities:</b>		
Due to student groups	-	\$ 169,960
<b>Net Position:</b>		
Held in trust	<u>\$ 46,627</u>	

**Bronson Community Schools**  
Statement of Change in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2019

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	<b>Private Purpose Trust Fund</b>
<b>Additions:</b>	
Contributions	\$ 5,737
Total additions	<u>5,737</u>
<b>Deductions:</b>	
Scholarships awarded	<u>10,000</u>
Total deductions	<u>10,000</u>
<b>Change in Net Position</b>	(4,263)
<b>Net Position - Beginning of Year</b>	<u>50,890</u>
<b>Net Position - End of Year</b>	<u><u>\$ 46,627</u></u>

**Bronson Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of Bronson Community Schools (the “School District” or “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District’s accounting policies are described below.

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate, component units of the District. Based on the application of the criteria, the District does not contain any component units.

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

**District-Wide and Fund Financial Statements**

The district-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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District’s government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements with nonmajor governmental funds aggregated into a single column.

**District-Wide Statements** – The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the District’s policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

**Bronson Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Fund-Based Statements** – 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, severance pay, claims, and judgments, are recorded only when payment is due.

Property taxes, unrestricted State Aid, intergovernmental grants, and interest associated with the current fiscal period, are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure reimbursing grants are recognized when the qualifying expenditures have been incurred, eligibility requirements have been met, and receipt of monies is expected within the current availability period (60 days post year-end). All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

**General Fund** – The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Capital Project Fund** – This type of fund is used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The District maintains one capital project fund, the Sinking Fund, which has restricted property taxes as its source of revenue. For this Sinking Fund, the School District has complied with the applicable provisions of Section 1212 of the Revised School Code.

Additionally, the District reports the following fund types:

**Food Service Fund** – This Special Revenue Fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for the specified purposes of food service activity for the District.

**Fiduciary Funds** – Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent. Fiduciary Fund net position and results of operations are not included in the district-wide statements.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and other groups for school-related purposes. The funds are segregated and held in trust for students, parents, alumni, and others.

The private purpose trust fund is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where interest payments may be spent. These funds are not reported on the District financial statements. The District's trust fund, the Scholarship Fund, is maintained to provide scholarships for post-secondary education.

**Bronson Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity**

**State Revenue** – The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2019, the foundation allowance was based on pupil membership counts taken in February 2018 and September 2018.

The State portion of the foundation is provided primarily by a State education property tax millage of six mills on Principal Residence Exemption (PRE) property and an allocated portion of State sales and other taxes. The local portion of the foundation is funded mainly by non-PRE property (non-homestead) taxes which may be levied at a rate of up to 18 mills plus 6 mills on Commercial Personal Property. The State revenue is recognized during the foundation period and is funded through payments from October to August of each year. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The District also receives revenue from the State to administer categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

**Property Taxes** - Property taxes levied by the School District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2019, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – Non-principal residence exemption (PRE)	17.7264
General Fund – Commercial personal property	5.7264
Sinking Fund – All taxable values	2.0000

Tax abatements provided to property tax payers, if any, were not significant, and thus no disclosure was deemed required in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

**Cash and Investments** – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The District reports its investments in accordance with GASB professional standards. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

**Bronson Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity (Continued)**

**Cash and Investments (Continued)** – State statutes authorize the District to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**Receivables and Payables** – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

**Inventories and Prepaid Items** – Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined as assets with an initial individual cost of \$5,000 or greater 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 recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

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

Buildings and improvements	50 years
Site improvements	20 years
Buses and other vehicles	5-10 years
Furniture and equipment	5-20 years

**Compensated Absences** - The District does not report a liability for compensated absences. Sick leave can be accumulated up to 120 days and any accumulations are paid out in October of the following fiscal year for current employees. The amount has been estimated and deemed immaterial and thus management determined it was not necessary to record the liability. Any accumulation of sick pay at retirement or termination is forfeited. Vacation leave cannot be carried over from year to year, and any unused leave at year-end is forfeited.

**Long-Term Obligations** – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are reported as a deferred inflow or outflow, separate from liabilities, and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bond issuance costs are expensed as incurred.

**Bronson Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity (Continued)**

**Long-Term Obligations (Continued)** – In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Debt issued, as well as premiums received on debt issuances, is reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently reports deferred outflows of resources related to the net pension liability and the net OPEB liability. The District also reports deferred outflows of resources for pension and OPEB contributions made subsequent to the plan measurement date which will be recognized in the following year.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows of resources related to its net pension liability and net OPEB liability. These future resources will be amortized and recognized over a time period established by the actuary and relate to differences between actuarial estimates and actual results.

**Defined Benefit Pension Plan** – 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 Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Related investments are reported at fair value. See Note 7 for detailed information.

**Postemployment Benefits Other Than Pensions** – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Related investments are reported at fair value. See Note 7 for detailed information.

**Fund Balance** – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

**Bronson Community Schools**  
Notes to Financial Statements

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity (Continued)**

**Use of Estimates** – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Note 2 – Stewardship, Compliance, and Accountability**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund and special revenue funds. Annual appropriations lapse at fiscal year-end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the *Uniform Budgeting and Accounting Act* (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of budgeted estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated at the function level per State law. Violations if any, for the General Fund are noted in the required supplementary information section.
4. Transfers of budgeted amounts are allowed between functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2019.

**Note 3 – Cash and Investments**

At year-end, the School District's cash and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 3,843,138</u>	<u>\$ 216,587</u>	<u>\$ 4,059,725</u>



**Bronson Community Schools**  
Notes to Financial Statements

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**Note 3 – Cash and Investments (Continued)**

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts, certificates of deposits)	\$ 1,759,988
Investments in MILAF pooled investment fund	2,299,537
Petty cash and cash on hand	<u>200</u>
Total	<u><u>\$ 4,059,725</u></u>

There are no limitations or restrictions on participant withdrawals for investment pools that are recorded at amortized cost, except for a one-day minimum investment period on MILAF cash management funds and a fourteen-day redemption limitation on MILAF MAX Class funds.

**Investment and Deposit Risk** – The District’s cash and investments are subject to several types of risk, as noted below.

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District requires that financial institutions be evaluated and only those with an acceptable risk level are used for the District’s deposits for custodial credit risk. At year-end, the District’s deposit balance of \$1,789,000 included \$1,539,000 that was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial Credit Risk – Investments** – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk.

**Interest Rate Risk** – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The District’s investment policy does not restrict investment maturities beyond State law.

**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. See Note 1 for a full description of allowed investments. The District’s investment policy does not further limit its investment choices.

The District’s investments under the interlocal agreement (MILAF) in the amount of \$2,299,537 are regulated by the Urban Cooperation Act. The fair value of the position in the interlocal agreement pools is the same as the value of the pool shares. The interlocal agreement (MILAF) is rated at AAAM according to Standard and Poor’s.

**Concentration of Credit Risk** – The District’s investment policy does not limit investments with individual issuers.

**Foreign Currency Risk** – The District does not invest in foreign currency and does not maintain a policy regarding foreign currency risk.

**Note 4 – Receivables**

Receivables at June 30, 2019 consist of amounts due from other governmental units, primarily the Michigan Department of Education, plus other miscellaneous receivables. Total receivables are \$1,591,196.

**Bronson Community Schools**  
Notes to Financial Statements

**Note 5 – Capital Assets**

Capital asset activity of the School District's governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Year-End Balance</u>
Assets not being depreciated:				
Land	\$ 62,200	\$ -	\$ -	\$ 62,200
Subtotal	<u>62,200</u>	<u>-</u>	<u>-</u>	<u>62,200</u>
Capital assets beings depreciated:				
Buildings and improvements	5,439,455	-	-	5,439,455
Site improvements	1,300,071	39,634	-	1,339,705
Buses and other vehicles	927,415	177,074	(41,500)	1,062,989
Furniture and equipment	3,450,229	197,422	(1,022,200)	2,625,451
Subtotal	<u>11,117,170</u>	<u>414,130</u>	<u>(1,063,700)</u>	<u>10,467,600</u>
Accumulated depreciation:				
Buildings and improvements	3,301,886	51,353	-	3,353,239
Site improvements	277,095	59,046	-	336,141
Buses and other vehicles	472,075	68,754	(41,500)	499,329
Furniture and equipment	3,042,725	87,775	(1,022,200)	2,108,300
Subtotal	<u>7,093,781</u>	<u>266,928</u>	<u>(1,063,700)</u>	<u>6,297,009</u>
Net capital assets being depreciated	<u>4,023,389</u>	<u>147,202</u>	<u>-</u>	<u>4,170,591</u>
Net capital assets	<u>\$ 4,085,589</u>	<u>\$ 147,202</u>	<u>\$ -</u>	<u>\$ 4,232,791</u>

Depreciation for the fiscal year totaled \$266,928 which is allocated amongst the various functions of the School District as follows:

Instruction	\$ 82,630
Support	175,821
Food service	<u>8,477</u>
Total	<u>\$ 266,928</u>

**Note 6 – Risk Management**

The School District is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said year, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District has purchased commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

**Bronson Community Schools**  
Notes to Financial Statements

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**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions**

**Organization**

**Pension/OPEB Plan Description** – The School District participates in the Michigan Public School Employees' Retirement System ("MPSERS" or "the System"), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees, and covers substantially all employees of the School District. There are currently approximately 700 participating employers in the System which meets the definition of a qualified pension trust fund under Section 401(a) of the Internal Revenue Code. In addition, the System maintains a health plan ("OPEB") which provides postemployment healthcare benefits to all eligible retirees as an elective option including health, prescription drug, dental, and vision coverage.

The System was originally created under Public Act 136 of 1945, recodified, and currently operates under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes a governing board and its authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report and are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools). Information provided in this report includes financial data, actuarial assumptions data, and detailed information about the pension plan and OPEB plan fiduciary net positions.

**Pension Benefits Provided** - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending upon the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's right to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

**Bronson Community Schools**  
Notes to Financial Statements

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**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Organization (Continued)**

**OPEB Benefits Provided** – Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008 (Basic, MIP-Fixed, and MIP Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of OPEB, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the MPERS, who earned service credit in the twelve months ending September 3, 2012 or were on an approved professional service or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

**Pension/OPEB Plan Contributions** – Public Act 300 of 1980, as amended, requires contributions from both the participating employers and the active plan members. The School District, as a participating employer, is required to contribute amounts necessary to finance the coverage of pension and OPEB benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees (plan members) during the year, with an additional amount paid in to finance a portion of the unfunded actuarial accrued liability.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

**Bronson Community Schools**  
Notes to Financial Statements

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**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Organization (Continued)**

**Pension Plan Contributions** – The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2018:

<u>Benefit Type</u>	<u>Member Rates</u>	<u>Employer Rates</u>
Basic	0.0% - 4.0%	17.89%
Member Investment Plan (MIP)	3.0% - 7.0%	17.89%
Pension Plus	3.0% - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

The District's required and actual contributions to the plan for the year ended September 30, 2018 were \$1,482,147. The District's required and actual pension contributions include an allocation of \$673,504 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2018.

**OPEB Contributions** – OPEB contribution rates in effect for the fiscal year ended September 30, 2018 were 3% for members under the Premium Subsidy option with a corresponding 6.44% contribution from employers and 0% for members under the Personal Healthcare Fund with a corresponding 6.13% employer contribution.

Required contributions to the OPEB plan from the District were \$352,077 for the year ended September 30, 2018. The District's required and actual OPEB contributions include an allocation of \$0 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended September 30, 2018.

**Pension/OPEB Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB**

**Proportionate Share of School District's Net Pension Liability** - At June 30, 2019, the District reported a liability of \$16,362,716 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2017. The District's proportionate share of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2018, the District's proportionate share was .05443025 percent, a decrease of .00013444 percent from its proportion measured as of September 30, 2017.

**Pension Expense** - For the year ended June 30, 2019, the School District's pension expense was \$2,015,425, exclusive of payments to fund the MPSERS UAAL stabilization rate.

**Proportionate Share of School District's Net OPEB Liability** - At June 30, 2019, the District reported a liability of \$4,311,604 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2017. The District's proportionate share of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of statutorily required OPEB contributions from all applicable employers during the measurement period. At September 30, 2018, the District's proportionate share was .05424116 percent, a decrease of .00034962 percent from its proportion measured as of September 30, 2017.

**Bronson Community Schools**  
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Pension/OPEB Liabilities, Pension/OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions/OPEB (Continued)**

**OPEB Expense** - For the year ended June 30, 2019, the School District's OPEB expense was \$204,614, exclusive of payments to fund the MPSERS UAAL stabilization rate.

**Deferred Outflows and Deferred Inflows** - At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Deferred Outflows of</u>		<u>Deferred Inflows of Resources</u>	
	<u>Pension</u>	<u>OPEB</u>	<u>Pension</u>	<u>OPEB</u>
Difference between expected and actual experience	\$ 75,926	\$ -	\$ 118,905	\$ 802,500
Changes of assumptions	3,789,591	456,601	-	-
Net difference between projected and actual earnings on pension/OPEB plan investments	-	-	1,118,794	165,705
Changes in proportion and differences between the School District's contributions and its proportionate share of contributions	64,010	324	75,212	27,366
School District contributions subsequent to the measurement date	<u>1,351,767</u>	<u>332,752</u>	<u>599,146</u>	<u>-</u>
Total	<u>\$ 5,281,294</u>	<u>\$ 789,677</u>	<u>\$ 1,912,057</u>	<u>\$ 995,571</u>

\$1,351,767 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

\$332,752 reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions and OPEB will be recognized in pension/OPEB expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Pension</u>	<u>OPEB</u>
2020	\$ 1,046,599	\$ (132,198)
2021	802,392	(132,198)
2022	551,297	(132,198)
2023	216,328	(98,432)
2024	-	(43,620)

**Payables to the Pension/OPEB Plan** - The District reported an accrued pension/OPEB plan payable at June 30, 2019 of \$170,350. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2019 but not yet paid.

**Bronson Community Schools**  
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Actuarial Assumptions**

**Actuarial Valuations and Assumptions** - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

A summary of actuarial assumptions as of the latest actuarial valuation follows:

Valuation date	September 30, 2017
Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans	7.05%
Pension Plus Plan	7.00%
Pension Plus 2 Plan	6.00%
OPEB	7.15%
Projected salary increases	2.75 – 11.55%, including wage inflation at 2.75%
Healthcare cost trend rate	7.50% Year 1 graded to 3.00% Year 12
Cost of living pension adjustments	3.0 % annual non-compounded for MIP members
Mortality: Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions (OPEB):	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Additional assumption information includes the following:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension/OPEB liability as of September 30, 2018 is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years – 4.5304 for pension plan employers and 5.6018 for OPEB plan employers.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**Bronson Community Schools**  
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Actuarial Assumptions (Continued)**

**Long-Term Expected Rate of Return on Plan Assets** – The long-term expected rate of return on pension/OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense 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.

Best estimates of arithmetic real rates of return for each major asset class included in the pension/OPEB plan's target asset allocation as of September 30, 2018, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity pools	28.0%	5.7%
Private equity pools	18.0%	9.2%
International equity pools	16.0%	7.2%
Fixed income pools	10.5%	0.5%
Real estate and infrastructure pools	10.0%	3.9%
Absolute return pools	15.5%	5.2%
Short-term investment pools	<u>2.0%</u>	0.0%
Total	<u>100.0%</u>	

\*Long-term rates of return are net of administrative expenses and 2.3% inflation.

**Rate of Return** – For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension/OPEB plan investments, net of pension/OPEB plan investment expense, was 11.11% and 10.75%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate** - Discount rates of 7.05% and 7.15% were used to measure the total pension and OPEB liabilities, respectively (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). These discount rates were based on the long-term expected rates of return on pension and OPEB plan investments of 7.05% and 7.15%, respectively (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on these assumptions, the pension/OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension/OPEB plan investments was applied to all periods of projected benefits payments to determine the total pension/OPEB liabilities.

**Subsequent Event – Discount Rate – Dedicated Gains Policy**

The Department of Technology, Management, and Budget and the MPSERS Retirement Board adopted a dedicated gains policy to lower the discount rate in years where investment returns exceed the current assumption based on a schedule determined by the plan actuary. In 2018, excess investment gains were sufficient to reduce the discount rate to 6.80% from 7.05% for the MPSERS Basic and MIP pension plans, and 7.00% for the MPSERS Plus plan. Dedicated gains were sufficient to reduce the MPSERS OPEB plan discount rate to 6.95% from 7.15%. The new discount rates were used in the pension and OPEB actuarial valuations as of September 30, 2018. These changes will impact the fiscal year 2019 collective schedules of pension and OPEB amounts; however, the dollar value of this impact cannot be determined at this time.



**Bronson Community Schools**  
Notes to Financial Statements

**Note 7 – Defined Benefit Pension Plan and Postemployment Benefits Other Than Pensions (Continued)**

**Actuarial Assumptions (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the School District's proportionate share of the net pension liability calculated using a discount rate of 7.05% (7.0% for the Hybrid Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

1% Decrease 6.05% / 6.00% / 5.00%	Current Single Discount Rate Assumption 7.05% / 7.00% / 6.00%	1% Increase 8.05% / 8.00% / 7.00%
<u>\$21,482,982</u>	<u>\$16,362,716</u>	<u>\$12,108,607</u>

\*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** - The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
<u>\$5,175,992</u>	<u>\$4,311,604</u>	<u>\$3,584,547</u>

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate** - The following presents the School District's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$3,546,247</u>	<u>\$4,311,604</u>	<u>\$5,189,625</u>

**Note 8 – Tax Deferred Annuity Plan**

The District maintains a defined contribution retirement plan established under Section 403(b) of the Internal Revenue Code. This tax deferred annuity plan is for eligible administrative employees and is administered by OMNI. The Board has authority over establishing and amending the plan to meet 403(b) criteria for benefits and contributions. Total employer contributions to the plan for the fiscal year were approximately \$25,000 and employee contributions were approximately \$132,000. There was no related payable outstanding at fiscal year-end.

**Bronson Community Schools**  
Notes to Financial Statements

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**Note 9 – Federal and State Grants**

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

**Note 10 – Commitments**

A heating, ventilation, and air conditioning system project at the Junior/High School building was contracted at a cost of \$390,575. As of June 30, 2019, \$16,400 of the project had been completed with the remainder expected to be installed during the summer of 2019.

**Note 11 – Upcoming Accounting and Reporting Changes**

GASB has issued Statement No. 84, *Fiduciary Activities*, to improve accounting and financial reporting over fiduciary activities. The Statement establishes criteria for identifying fiduciary activities and whether these identified fiduciary activities should be reported in a separate fiduciary fund in the basic financial statements. The Statement aims to enhance consistency and comparability for assessing government accountability and stewardship over fiduciary activities. Statement No. 84 will be effective for the District's fiscal year ending June 30, 2020.

Statement No. 87, *Leases*, was issued by the Governmental Accounting Standards Board to increase the usefulness of government financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The Statement also addresses standards for note disclosures to include information regarding the timing, significance, and purpose of a government's leasing arrangements. Statement No. 87 will be effective for the District's fiscal year ending June 30, 2021.

## **Required Supplementary Information**

**Bronson Community Schools**  
 Budgetary Comparison Schedule - General Fund  
 Year Ended June 30, 2019

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues:</b>			
Local sources	\$ 1,221,592	\$ 1,173,905	\$ 1,173,923
State sources	8,192,126	8,368,081	8,372,504
Federal sources	338,909	446,050	443,755
Investment earnings	-	41,500	42,628
Interdistrict and other	-	90,835	110,916
<b>Total revenues</b>	<b>9,752,627</b>	<b>10,120,371</b>	<b>10,143,726</b>
<b>Expenditures:</b>			
Instruction:			
Basic programs	5,452,816	5,363,005	5,324,459
Added needs	759,159	761,550	749,893
Support services:			
Pupil	185,284	275,996	272,619
Instructional staff	94,137	128,270	127,402
General administration	277,906	292,384	289,923
School administration	670,470	664,939	661,260
Business	178,184	175,286	172,488
Operation & maintenance	1,027,833	884,619	856,766
Pupil transportation	782,769	767,102	754,801
Central services	247,392	244,156	241,694
Athletic activities	339,642	363,118	372,200
Community services:			
Community activities	9,664	2,004	2,003
Non-public school pupils	-	9,965	9,966
<b>Total expenditures</b>	<b>10,025,256</b>	<b>9,932,394</b>	<b>9,835,474</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(272,629)</b>	<b>187,977</b>	<b>308,252</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	20,000	20,000
Total other financing sources and uses	-	20,000	20,000
<b>Net Changes in Fund Balances</b>	<b>(272,629)</b>	<b>207,977</b>	<b>328,252</b>
<b>Fund Balances - Beginning of Year</b>	<b>2,676,176</b>	<b>2,676,176</b>	<b>2,676,176</b>
<b>Fund Balances - End of Year</b>	<b>\$ 2,403,547</b>	<b>\$ 2,884,153</b>	<b>\$ 3,004,428</b>

**Bronson Community Schools**  
Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan  
Last Five Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (%)	<u>0.05443025%</u>	<u>0.05456469%</u>	<u>0.05408528%</u>	<u>0.05417417%</u>	<u>0.05495000%</u>
District's proportionate share of the net pension liability	<u>\$ 16,362,716</u>	<u>\$ 14,140,031</u>	<u>\$ 13,493,835</u>	<u>\$ 13,232,056</u>	<u>\$ 12,102,808</u>
District's covered payroll	<u>\$ 4,616,997</u>	<u>\$ 4,595,991</u>	<u>\$ 4,600,819</u>	<u>\$ 4,550,305</u>	<u>\$ 4,699,769</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>354.40%</u>	<u>307.66%</u>	<u>293.29%</u>	<u>290.79%</u>	<u>257.52%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>62.36%</u>	<u>64.21%</u>	<u>63.27%</u>	<u>63.17%</u>	<u>66.20%</u>

**Bronson Community Schools**  
Schedule of the District's Pension Contributions to the MPSERS Plan  
Last Five Fiscal Years (Amounts Determined Each Year as of June 30)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required pension contributions	\$ 1,437,610	\$ 1,374,117	\$ 1,275,439	\$ 1,223,349	\$ 1,004,493
Pension contributions in relation to statutorily required contributions	<u>\$ 1,437,610</u>	<u>\$ 1,374,117</u>	<u>\$ 1,275,439</u>	<u>\$ 1,223,349</u>	<u>\$ 1,004,493</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 4,715,039</u>	<u>\$ 4,592,287</u>	<u>\$ 4,624,441</u>	<u>\$ 4,441,016</u>	<u>\$ 4,585,498</u>
Pension contributions as a percentage of covered payroll	<u>30.49%</u>	<u>29.92%</u>	<u>27.58%</u>	<u>27.55%</u>	<u>21.91%</u>

## Bronson Community Schools

Schedule of the District's Proportionate Share of the Net OPEB Liability of the MPSERS Plan  
Last Two Fiscal Years (Amounts Determined Each Year as of September 30)

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	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (%)	<u>0.05424116%</u>	<u>0.05459078%</u>
District's proportionate share of the net OPEB liability	<u>\$ 4,311,604</u>	<u>\$ 4,834,271</u>
District's covered payroll	<u>\$ 4,616,997</u>	<u>\$ 4,595,991</u>
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>93.39%</u>	<u>105.18%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>42.95%</u>	<u>36.39%</u>

**Bronson Community Schools**  
 Schedule of the District's OPEB Contributions to the MPSERS Plan  
 Last Two Fiscal Years (Amounts Determined Each Year as of June 30)

	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 373,414	\$ 376,678
OPEB contributions in relation to the statutorily required contributions	<u>373,414</u>	<u>376,678</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll (OPEB)	<u>\$ 4,715,039</u>	<u>\$ 4,592,287</u>
OPEB contributions as a percentage of covered payroll	<u>7.92%</u>	<u>8.20%</u>



## Bronson Community Schools

Notes to Required Supplementary Information Pension and OPEB Schedules  
Year Ended June 30, 2019

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**Changes of Benefit Terms:** There were no changes of benefit terms in fiscal year 2018.

**Changes of Assumptions:** For the State's fiscal year ended September 30, 2018:

The actuarial assumption regarding the wage inflation rate changed from 3.5% to 2.75%.

The actuarial assumption regarding the investment rate of return for MIP and Basic plans changed from 7.50% to 7.05%, and for the OPEB plan changed from 7.50% to 7.05%.

The projected salary increases were adjusted to 2.75 - 11.55%, down from the prior year rates of 3.50 - 12.30%.

The healthcare cost trend rate was 7.5% Year 1 graded to 3.00% Year 12, a change in the graded Year 12 from 3.5% in the prior year.

Mortality tables used were updated to the RP-2014 Male and Female Healthy Annuitant Mortality Tables.

The recognition period for liabilities, an average of the expected remaining service lives of all employees, changed to 4.5304 from 4.5188 for pension plan employers and to 5.6018 from 5.4744 for OPEB plan employers.

# **Bronson Community Schools**

Single Audit Report

Year Ended June 30, 2019

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**WILLIS & JURASEK**  
CPAS AND CONSULTANTS

**Independent Auditors' 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***

Board of Education  
Bronson Community Schools  
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, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Bronson Community Schools' basic financial statements, and have issued our report thereon dated September 3, 2019.

**Internal Control Over Financial Reporting**

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

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

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

Board of Education  
Bronson Community Schools  
Bronson, Michigan

### **Compliance and Other Matters**

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

### **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.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

September 3, 2019



**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education  
Bronson Community Schools  
Bronson, Michigan

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

We have audited Bronson Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bronson Community Schools' major federal programs for the year ended June 30, 2019. Bronson Community Schools' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Bronson Community Schools' major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bronson Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bronson Community Schools' compliance.

**Opinion on Each Major Federal Program**

In our opinion, Bronson Community Schools 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, 2019.

## **Report on Internal Control Over Compliance**

Management of Bronson Community Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bronson Community Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bronson Community Schools' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Bronson Community Schools' basic financial statements. We issued our report thereon dated September 3, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements.

Board of Education  
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Bronson, Michigan

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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

September 3, 2019



**Bronson Community Schools**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

Federal Grantor Pass Through Grantor Program Title/Grantor's Number	Federal CFDA Number	Pass-Through Grantor's Number	Award/Grant Entitlement Program Amount	Accrued (Deferred) Revenue 7/1/2018	Prior Year Expenditures	Adjustments Prior Years	Current Year Cash Payment Received	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2019
<b>U.S. Department of Agriculture</b>									
Passed through MI Department of Education:									
Child Nutrition Cluster:									
National School Lunch Program									
Non-cash Assistance (Commodities)	10.555		\$ 51,352	\$ -	\$ -	\$ -	\$ 51,352	\$ 51,352	\$ -
Cash Assistance	10.555	181960	281,228	860	247,879	-	47,069	46,209	-
	10.555	181980	2,172	-	2,080	-	92	92	-
	10.555	191960	240,870	-	-	-	240,870	240,870	-
	10.555	191980	2,098	-	-	-	2,098	2,098	-
			<u>526,368</u>	<u>860</u>	<u>249,959</u>	<u>-</u>	<u>290,129</u>	<u>289,269</u>	<u>-</u>
Total National School Lunch Program			<u>577,720</u>	<u>860</u>	<u>249,959</u>	<u>-</u>	<u>341,481</u>	<u>340,621</u>	<u>-</u>
National School Breakfast	10.553	181970	130,540	649	113,012	-	18,826	18,177	-
		191970	105,632	-	-	-	105,632	105,632	-
			<u>236,172</u>	<u>649</u>	<u>113,012</u>	<u>-</u>	<u>124,458</u>	<u>123,809</u>	<u>-</u>
Summer Food Service Program for Children	10.559	180900	2,616	628	628	-	2,616	1,988	-
		181900	274	65	65	-	274	209	-
		190900	-	-	-	-	-	512	512
			<u>2,890</u>	<u>693</u>	<u>693</u>	<u>-</u>	<u>2,890</u>	<u>2,709</u>	<u>512</u>
Total Child Nutrition Cluster			<u>816,782</u>	<u>2,202</u>	<u>363,664</u>	<u>-</u>	<u>468,829</u>	<u>467,139</u>	<u>512</u>
Total United States Department of Agriculture			<u>816,782</u>	<u>2,202</u>	<u>363,664</u>	<u>-</u>	<u>468,829</u>	<u>467,139</u>	<u>512</u>

**Bronson Community Schools**  
Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2019

Federal Grantor Pass Through Grantor Program Title/Grantor's Number <u>U.S. Department of Education</u>	Federal CFDA Number	Pass-Through Grantor's Number	Award/Grant Entitlement Program Amount	Accrued (Deferred) Revenue 7/1/2018	Prior Year Expenditures	Adjustments Prior Years	Current Year Cash Payment Received	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/2019
Passed through Michigan Department of Education:									
Title I, Part A	84.010	181530-1718	309,167	56,273	264,613	794	55,479	-	-
	84.010	191530-1819	<u>361,328</u>	-	-	-	<u>293,358</u>	<u>348,384</u>	<u>55,026</u>
			<u>670,495</u>	<u>56,273</u>	<u>264,613</u>	<u>794</u>	<u>348,837</u>	<u>348,384</u>	<u>55,026</u>
Title V, Part B	84.358	190660-1819	<u>19,913</u>	-	-	-	<u>17,436</u>	<u>17,436</u>	-
			<u>19,913</u>	-	-	-	<u>17,436</u>	<u>17,436</u>	-
Title III, Part A	84.365	190580-1819	<u>11,296</u>	-	-	-	<u>723</u>	<u>737</u>	<u>14</u>
			<u>11,296</u>	-	-	-	<u>723</u>	<u>737</u>	<u>14</u>
Title II, Part A	84.367	180520-1718	114,300	5,251	85,505		9,482	4,231	-
	84.367	190520-1819	<u>104,462</u>	-	-	-	<u>58,285</u>	<u>59,007</u>	<u>722</u>
			<u>218,762</u>	<u>5,251</u>	<u>85,505</u>	-	<u>67,767</u>	<u>63,238</u>	<u>722</u>
Title IV	84.424	180750-1718	10,000	1,150	3,174	-	1,150	-	-
	84.424	190750-1819	<u>26,676</u>	-	-	-	<u>14,753</u>	<u>14,753</u>	-
			<u>36,676</u>	<u>1,150</u>	<u>3,174</u>	-	<u>15,903</u>	<u>14,753</u>	-
Total United States Department of Education			<u>957,142</u>	<u>62,674</u>	<u>353,292</u>	<u>794</u>	<u>450,666</u>	<u>444,548</u>	<u>55,762</u>
			<u>\$ 1,773,924</u>	<u>\$ 64,876</u>	<u>\$ 716,956</u>	<u>\$ 794</u>	<u>\$ 919,495</u>	<u>\$ 911,687</u>	<u>\$ 56,274</u>

**Bronson Community Schools**  
Schedule of Reconciliation of Revenues with  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2019

	<u><b>Amount</b></u>
Revenue from Federal sources - per financial statements (includes all funds)	\$ 910,893
Adjustment to prior year Title expenses	<u>794</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 911,687</u>

**Bronson Community Schools**  
Notes to Schedule of Expenditures of Federal Awards

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bronson Community Schools (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

**Note 2 – Summary of Significant Explanations of Schedule**

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the District'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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

The Schedule has been arranged to provide information on both actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the financial reports with any reconciling items noted on page 8. The amounts on the Grant Auditor Report reconcile with this schedule. The amounts reported on the Recipient Entitlement Balance (PAL) Report agree with this schedule for USDA donated food commodities and the expenditures include any spoilage or pilferage.

For purposes of charging indirect costs to federal awards, the District has not elected to use the 10 percent de minimis cost rate as permitted by section 200.414 of the Uniform Guidance.

**Note 3 – Subrecipients**

No federal awards were passed through the District to any subrecipients during the year.

**Bronson Community Schools**  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2019

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	_____ yes <u>  X  </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u>  X  </u> none reported
Noncompliance material to financial statements noted	_____ yes <u>  X  </u> no

Federal Awards

Internal control over major programs:	
Material weakness identified	_____ yes <u>  X  </u> no
Significant deficiencies identified that are not considered to be material weaknesses	_____ yes <u>  X  </u> none reported

Type of auditors’ 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(a)	_____ yes <u>  X  </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>  \$ 750,000  </u>
Auditee qualified as low-risk	<u>  X  </u> yes _____ no

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**Bronson Community Schools**  
Comments on Resolution of Findings from June 30, 2018  
Single Audit Report

**Financial Statement Findings**

None

**Federal Award Findings and Questioned Costs**

None



# WILLIS & JURASEK

CPAS AND CONSULTANTS

September 3, 2019

To the Board of Education  
Bronson Community Schools  
Bronson, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bronson Community Schools for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *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 June 1, 2019. 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 Bronson Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the School District 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 government-wide financial statements were:

Management has estimated the value of capitalized assets and the related accumulated depreciation. The bulk of the capitalized costs is based upon an asset appraisal done in a prior year. Related depreciation is based upon estimated usage using estimated lives and methods to formulate net book value. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements contain estimates for the net pension liability and the net OPEB liability and related deferred inflows and deferred outflows of resources. This information has been provided by ORS to all school districts participating in the MPSERS pension system. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements of any significance. 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 as per the auditors' report.

### *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 District's financial statements or a determination of the type of auditors' 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 School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Budgetary Comparison Schedule, and schedules related to the net pension liability and the net OPEB liability, and the related notes 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.

### Recommendations

We recommend adding a review step over the free and reduced application verification process to provide a monitoring feature to the process.

We recommend continuing to give consideration to internal controls over fiduciary accounts and to implement GASB Statement No. 84, *Fiduciary Activities*.

### Restriction on Use

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

Very truly yours,

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.