



CITY OF OWOSSO

SHIAWASSEE COUNTY, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Owosso
Owosso, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The Downtown Development Authority was not audited under Government Auditing Standards.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund and component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund and component unit financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund and component unit financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Gabridge & Company, PLC
Grand Rapids, Michigan
November 11, 2020

Management's Discussion and Analysis

City of Owosso
Management's Discussion and Analysis
June 30, 2020

The City of Owosso, Michigan's (the "City") annual report has been prepared in compliance with Governmental Accounting Standard Board's (GASB) Statement No. 34 and consists of the management's discussion and analysis, basic financial statements, required supplementary information, and combining and individual fund financial statements. The information presented here should be read in conjunction with the financial statements and the notes to the financial statements that follow.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$65,762,276 (net position).
- The total net position for the City is \$65,762,276. Of this amount, \$7,065,112, or 10.7%, is unrestricted and available for any City activity. The net position increased \$2,102,489 from the prior fiscal year.
- Combined program and general revenues for the City's activities amounted to \$19,557,769. Expenses of \$17,455,280 were less than revenues by \$2,102,489.
- The combined fund balance at year end for the City's governmental funds was \$13,357,157. This was a decrease of \$1,900,847 from the prior fiscal year.
- General fund expenditures and other financing uses exceeded revenues by \$26,319, causing the general fund's fund balance to decrease accordingly.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

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

The remaining statements are fund financial statements that focus on individual segments of the City. They are narrower in scope and provide more detail than the government-wide statements.

- Governmental funds such as the general fund and major/local streets fund focus on the financing of these areas in the short-term and what remains for future spending.
- The water supply system, sewage disposal system, and wastewater treatment system funds represent some of the proprietary fund statements and show how these activities operate like businesses.
- Fiduciary fund statements provide information about financial relationships, such as the retirement plan for City employees, where the City administers the funds for the benefit of others who have ownership to the assets.

Notes to the financial statements are also included to further explain some of the financial statements and provide more detailed data.

The required supplementary information includes such items as the City's progress in funding its pension obligations as well as the City contributions. In addition, the City has also provided other discretionary supplementary information about the City that should further enhance the understanding of its operations.

Government-wide Financial Analysis

As mentioned earlier, net position provides useful benchmarks in determining overall financial position. The City of Owosso's combined net position is \$65,762,276.

City of Owosso's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 13,614,657	\$ 15,409,944	\$ 3,005,021	\$ 3,050,168	\$ 16,619,678	\$ 18,460,112
Receivables, net	1,835,730	1,490,055	1,618,035	1,557,327	3,453,765	3,047,382
Due from Other Governments	510,071	1,267,158	862,555	206,711	1,372,626	1,473,869
Inventories	71,832	72,761	72,124	74,081	143,956	146,842
Other Assets	478,575	467,038	-	-	478,575	467,038
Total Current Assets	16,510,865	18,706,956	5,557,735	4,888,287	22,068,600	23,595,243
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	1,503,450	1,472,629	1,503,450	1,472,629
Advance to Component Units	1,079,311	1,133,812	650,131	682,971	1,729,442	1,816,783
Capital Assets, Net	44,261,736	40,483,953	19,370,685	18,450,204	63,632,421	58,934,157
Total Assets	61,851,912	60,324,721	27,082,001	25,494,091	88,933,913	85,818,812
DEFERRED OUTFLOWS OF RESOURCES						
Pension-related Deferrals	1,642,763	3,681,247	609,117	1,007,750	2,251,880	4,688,997
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	679,176	868,322	522,613	557,440	1,201,789	1,425,762
Accrued Wages and Liabilities	329,425	338,610	248,133	228,354	577,558	566,964
Current Portion of Compensated Absences	80,655	90,494	20,883	24,932	101,538	115,426
Current Portion of Long-term Debt	580,000	510,000	598,478	560,575	1,178,478	1,070,575
Internal Balances	(5,630)	112,187	5,630	(112,187)	-	-
Total Current Liabilities	1,663,626	1,919,613	1,395,737	1,259,114	3,059,363	3,178,727
<i>Noncurrent Liabilities</i>						
Compensated Absences	322,619	271,483	83,532	74,795	406,151	346,278
Long-term Debt	10,660,000	11,240,000	3,506,636	3,242,559	14,166,636	14,482,559
Net Pension Liability	4,496,624	6,990,852	1,290,465	1,736,485	5,787,089	8,727,337
Total Liabilities	17,142,869	20,421,948	6,276,370	6,312,953	23,419,239	26,734,901
DEFERRED INFLOWS OF RESOURCES						
Pension-related Deferrals	1,349,385	83,329	654,893	29,792	2,004,278	113,121
NET POSITION						
Net Investment in Capital Assets	35,127,615	33,833,953	15,265,571	14,647,070	50,393,186	48,481,023
Restricted	7,104,564	8,220,257	1,199,414	1,648,134	8,303,978	9,868,391
Unrestricted	2,770,242	1,446,481	4,294,870	3,863,892	7,065,112	5,310,373
Total Net Position	\$45,002,421	\$43,500,691	\$20,759,855	\$20,159,096	\$65,762,276	\$63,659,787

Further review of the net position indicates that they are divided into three parts. The largest part, \$50,393,186 or 76.6%, is the net investment in capital assets (land, buildings, machinery and equipment) which cannot be readily liquidated or available for future spending. The second part is restricted net position, which are subject to external restrictions on how they may be used. Finally, the last part is unrestricted net position which can be used for ongoing obligations or new activities.

Governmental Activities

Cash and investments decreased by \$1,795,287 as the City purchased \$4,984,212 of capital asset additions. While the City did invest just under \$5 million in capital assets, cash only decreased by roughly \$1.8 million. This is largely related to the overall increase in net position of \$1.5 million

as well as depreciation expense of \$1.2 million (depreciation of capital assets increased expenses without actually impacting cash – a “non-cash” expense). Receivables increased by \$345,675 largely a result of 2020 special assessment districts assessed during the year. Due from other governments decreased by \$757,087 largely as a result of collecting the June 30, 2019 balance of \$347,062 due from Michigan Department of Transportation for grant reimbursement related to East Oliver Street reconstruction and another \$128,883 for Washington Street reconstruction. Capital assets increased by \$3,777,783, consisting of the aforementioned \$4,984,212 in additions, depreciation expense of \$1,204,827, and a net disposal of \$1,602.

Accounts payable decreased by \$189,146 with the majority relating to having less year-end construction billings payable compared to the prior year.

The City’s net pension liability decreased by \$2,940,248 (across both governmental and business-type activities) during the year. This reduction was largely a result of \$6,940,758 of pension asset investment earnings during 2019 (both plans have measurement dates of December 31, 2019 and, accordingly, 2019 market returns were used to measure the decrease in net pension liability).

Business-type Activities

Due from other governments increased by \$655,844 as significant reimbursable infrastructure project costs were incurred as of June 30, 2020 but payment was received by the City during fiscal year 2021. Capital assets increased by \$920,481, comprised of capital additions of \$1,694,979, depreciation expense of \$766,073, and a net disposal of \$8,425.

Governmental Activities

Total revenues were down within governmental activities by \$536,940 during 2020 compared to 2019. Reasons for the decreased revenues include:

- \$255,000 reduction in marijuana license fees as 2019 had a one-time significant inflow of lottery applications for licensing whereas 2020 had revenues from four stores that were ultimately approved.
- Façade donations decreased by \$328,718 during 2020 because 2019 had ongoing façade improvement projects that were substantially complete going into 2020 (thus, no further donations were received).
- Operating grants decreased largely as a result of a \$187,320 PA 207 grant that was received by the City during 2019, in addition to several other smaller grants.
- Property taxes increased during the year as the City received a new voted historic and park millage (\$124,666, each) and an increase in the millage rate for repayment of street bonds (\$409,705).

- Overall, governmental activities had an overall decrease in total expenses during 2020 of \$126,070. Much of the decrease can be attributed to reduced pension expense resulting from improved investment market performance.

Business-type Activities

Overall, business-type activities had a \$600,759 increase in net position during 2020. Significant changes in revenues and expenses during 2020 include:

- Revenues decreased by a total of \$134,862. Charges for services had a modest increase during 2020, however, the City received a one-time PILOT grant of \$465,467 during 2019. These items, primarily, led to the net change in business-type revenues.
- Overall expenses increased by \$396,023 in business-type activities, or approximately 5.65%.

City of Owosso's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 2,171,891	\$ 2,404,989	\$ 7,762,817	\$ 7,473,662	\$ 9,934,708	\$ 9,878,651
Operating Grants and Contributions	2,028,555	3,045,654	22,519	-	2,051,074	3,045,654
Capital Grants and Contributions	614,088	601,793	42,533	465,467	656,621	1,067,260
Total Program Revenues	4,814,534	6,052,436	7,827,869	7,939,129	12,642,403	13,991,565
General Revenues						
Property Taxes	4,753,697	3,997,059	83,117	80,748	4,836,814	4,077,807
Intergovernmental	1,774,846	1,807,463	-	-	1,774,846	1,807,463
Investment Income	210,800	233,859	92,906	118,877	303,706	352,736
Total General Revenues and Transfers	6,739,343	6,038,381	176,023	199,625	6,915,366	6,238,006
Total Revenues	11,553,877	12,090,817	8,003,892	8,138,754	19,557,769	20,229,571
Expenses						
General Government	1,709,987	1,466,985	-	-	1,709,987	1,466,985
Public Safety	4,777,135	4,131,626	-	-	4,777,135	4,131,626
Public Works	2,302,512	3,441,225	-	-	2,302,512	3,441,225
Community and Economic Development	494,940	422,043	-	-	494,940	422,043
Recreation and Culture	339,528	375,685	-	-	339,528	375,685
Interest on Long-term Debt	428,045	340,653	-	-	428,045	340,653
Water Supply	-	-	3,059,408	3,071,684	3,059,408	3,071,684
Sewage Disposal	-	-	2,019,301	1,899,024	2,019,301	1,899,024
Wastewater Treatment	-	-	2,261,485	1,961,087	2,261,485	1,961,087
Transportation	-	-	62,939	75,315	62,939	75,315
Total Expenses	10,052,147	10,178,217	7,403,133	7,007,110	17,455,280	17,185,327
Change in Net Position	1,501,730	1,912,600	600,759	1,131,644	2,102,489	3,044,244
<i>Net Position at the Beginning of Period</i>	<i>43,500,691</i>	<i>41,588,091</i>	<i>20,159,096</i>	<i>19,027,452</i>	<i>63,659,787</i>	<i>60,615,543</i>
Net Position at the End of Period	\$ 45,002,421	\$ 43,500,691	\$ 20,759,855	\$ 20,159,096	\$ 65,762,276	\$ 63,659,787

Financial Analysis of the City's Funds

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,357,157. More detail on available, spendable balances can be found in the notes to these financial statements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$6,799,528, a decrease of \$26,319. Unassigned fund balance of \$2,359,203 was 32.9% of expenditures and transfers out while total fund balance of \$6,799,528 was 94.7% of expenditures and transfers out. The reasons for the changes in comparison to the prior year is explained in an earlier section of this report.

The major streets fund balance decreased by \$28,711 to \$1,130,147. The decrease is a result of increased road construction expenditures during the year of \$2,194,245, partially offset with transfers in of \$1,147,710.

The local streets fund balance increased by \$878,347 to \$1,336,126. The increase is primarily a result of \$2,178,030 in transfers received from other funds, less \$1,467,774 expended on road projects.

The streets capital projects fund balance decreased by \$2,913,629, to \$2,173,241, primarily as a result of transfers to the major and local street funds totaling \$2,947,710.

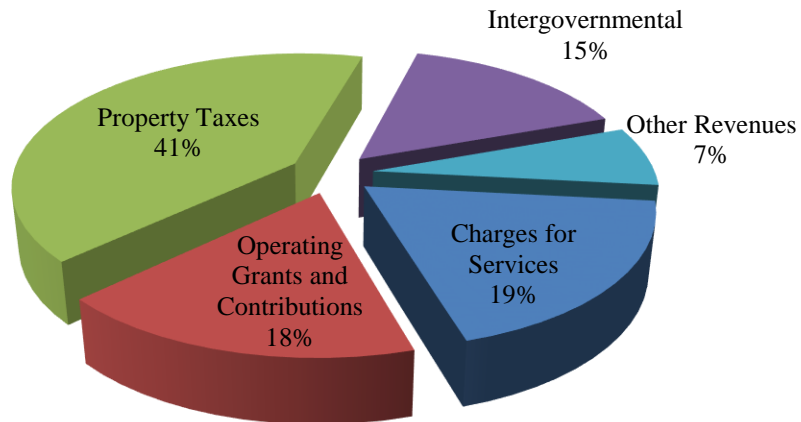
Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The proprietary funds of the City are comprised of the water supply system, sewage disposal system, wastewater treatment system, and transportation funds. The water supply system fund's net position increased by \$787,704 to \$12,819,829. The sewage disposal system fund's net position increased by \$1,831 to \$3,787,078. The wastewater treatment system fund's net position decreased \$211,680 to \$4,071,425.

Governmental Activities

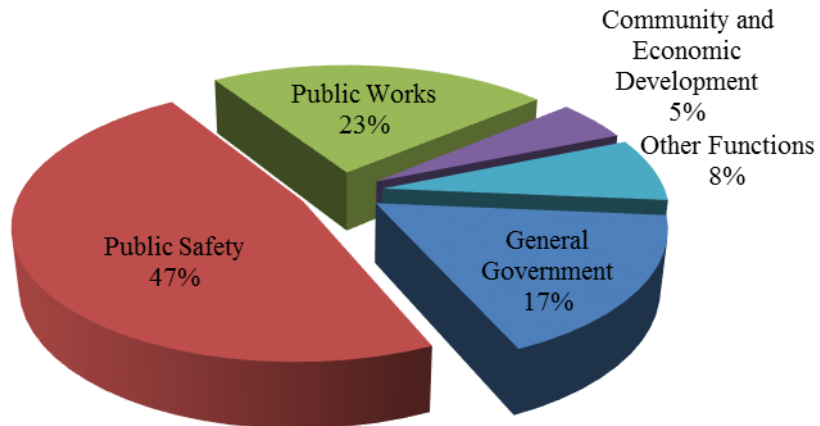
The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year-end.

Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year-end.

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year the budget amendments were relatively minor.

Final budget compared to actual results. The City had the following expenditures in excess of the amounts appropriated during the year:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Assessing	\$ 140,445	\$ 141,936	\$ (1,491)
Buildings and Ground Maintenance	67,203	67,842	(639)
General Administration	224,018	225,448	(1,430)
Police	2,075,565	2,093,084	(17,519)
Building and Code Enforcement	223,836	239,790	(15,954)
Public Works	627,089	675,743	(48,654)
Community and Economic Development	86,914	88,384	(1,470)

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to \$63,632,421 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, and equipment, vehicles, and water and sewer infrastructure. The following summarizes the City's capital assets:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land	\$ 4,559,913	\$ 467,304	\$ 5,027,217
Construction in Progress	2,503,711	1,016,136	3,519,847
Roads and Sidewalks	59,161,429	-	59,161,429
Land Improvements	3,807,161	-	3,807,161
Buildings and Improvements	2,860,343	13,245,205	16,105,548
Vehicles	4,945,225	1,634,422	6,579,647
Office Furnishings	1,409,807	-	1,409,807
Machinery and Equipment	2,530,598	12,747,964	15,278,562
Improvements, other than Buildings	-	16,001,989	16,001,989
<i>Total Capital Assets</i>	81,778,187	45,113,020	126,891,207
Less: Accumulated Depreciation	37,516,451	25,742,335	63,258,786
Capital Assets, Net	<u>\$ 44,261,736</u>	<u>\$ 19,370,685</u>	<u>\$ 63,632,421</u>

Long-term Debt

At the end of the current fiscal year, the City had \$11,240,000 in bonds outstanding, exclusive of compensated absences, for governmental activities and \$4,105,114 in bonds outstanding, exclusive of compensated absences, for business-type activities. Governmental activities long-term debt decreased \$510,000 while business-type activities long-term debt increased \$301,980.

Additional information regarding the City's long-term debt can be found in the notes to financial statements.

Economic Factors and Next Year's Budget and Rates

The 2020-2021 budget for the general fund projects stable revenues and transfers in for the year, \$7,621,809 in total, with total expenditures of \$7,845,497 and transfers out. For comparison, the City's 2020 general fund actual results were as follows: total revenues of \$7,153,272, total expenditures of \$6,847,602, and transfers out of \$331,989.

The 2020-2021 budget leaves the City with a projected decrease in the general fund balance. The City of Owosso will continue to monitor closely its capital needs, debt service requirements, and upcoming projects as they relate to the budget and projected revenue streams. Additionally, management and the City Council are currently working to determine the significance that the COVID-19 Pandemic will have on the City's upcoming revenues.

Requests for Information

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors a general overview of the City's finances and provide further accountability of the financial transactions that take place. If you have questions about this report or need additional financial information, please contact the City of Owosso Finance Director Office, 301 W. Main Street, Owosso, Michigan, 48867.

Basic Financial Statements

City of Owosso
Statement of Net Position
June 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 13,614,657	\$ 3,005,021	\$ 16,619,678	\$ 163,631
Accounts Receivable	886,231	1,618,035	2,504,266	48,605
Special Assessments Receivable	949,499	--	949,499	--
Due from Other Governments	510,071	862,555	1,372,626	72,290
Inventories	71,832	72,124	143,956	65,700
Other Assets	478,575	--	478,575	--
Total Current Assets	16,510,865	5,557,735	22,068,600	350,226
<i>Noncurrent Assets</i>				
Restricted Cash and Investments	--	1,503,450	1,503,450	--
Capital Assets not Being Depreciated	7,063,624	1,483,440	8,547,064	--
Capital Assets Being Depreciated, Net	37,198,112	17,887,245	55,085,357	--
Advance to Component Unit	1,079,311	650,131	1,729,442	--
Total Assets	61,851,912	27,082,001	88,933,913	350,226
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferrals	1,642,763	609,117	2,251,880	--
Total Deferred Outflows of Resources	1,642,763	609,117	2,251,880	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	679,176	522,613	1,201,789	11,196
Accrued Liabilities	92,060	185,369	277,429	--
Due to Other Governments	--	--	--	65,700
Accrued Wages	237,365	62,764	300,129	--
Current Portion of Compensated Absences	80,655	20,883	101,538	--
Current Portion of Long-term Debt	580,000	598,478	1,178,478	137,225
Internal Balances	(5,630)	5,630	--	--
Total Current Liabilities	1,663,626	1,395,737	3,059,363	214,121
<i>Noncurrent Liabilities</i>				
Compensated Absences	322,619	83,532	406,151	--
Long-term Debt	10,660,000	3,506,636	14,166,636	1,704,282
Net Pension Liabilities	4,496,624	1,290,465	5,787,089	--
Total Liabilities	17,142,869	6,276,370	23,419,239	1,918,403
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferrals	1,349,385	654,893	2,004,278	--
Total Deferred Inflows of Resources	1,349,385	654,893	2,004,278	--
NET POSITION				
Net Investment in Capital Assets	35,127,615	15,265,571	50,393,186	--
<i>Restricted for:</i>				
Debt Service	93,973	583,758	677,731	--
Revolving Loan	1,231,276	--	1,231,276	--
Housing and Redevelopment	73	--	73	--
Streets	5,407,603	--	5,407,603	--
Historical	177,881	--	177,881	--
Improvement and Replacement	--	615,656	615,656	--
Building Code Enforcement	50,996	--	50,996	--
Downtown Facade	15,178	--	15,178	--
Recreation	127,584	--	127,584	--
<i>Unrestricted</i>	2,770,242	4,294,870	7,065,112	(1,568,177)
Total Net Position	\$ 45,002,421	\$ 20,759,855	\$ 65,762,276	\$ (1,568,177)

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

**City of Owosso
Statement of Activities
For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 1,709,987	\$ 338,799	\$ 106,184	\$ --	\$ (1,265,004)	\$ --	\$ (1,265,004)	\$ --
Public Safety	4,777,135	1,252,656	--	84,056	(3,440,423)	--	(3,440,423)	--
Public Works	2,302,512	565,011	1,722,297	530,032	514,828	--	514,828	--
Community and Economic Development	494,940	--	180,115	--	(314,825)	--	(314,825)	--
Recreation and Culture	339,528	15,425	19,959	--	(304,144)	--	(304,144)	--
Interest on Long-term Debt	428,045	--	--	--	(428,045)	--	(428,045)	--
Total Governmental Activities	10,052,147	2,171,891	2,028,555	614,088	(5,237,613)	--	(5,237,613)	--
Business-type Activities:								
Transportation Fund	62,939	--	2,606	--	--	(60,333)	(60,333)	--
Sewage Disposal System	2,019,301	1,989,389	--	--	--	(29,912)	(29,912)	--
Water Supply System	3,059,408	3,747,097	19,913	42,533	--	750,135	750,135	--
Wastewater Treatment System	2,261,485	2,026,331	--	--	--	(235,154)	(235,154)	--
Total Business-type Activities	7,403,133	7,762,817	22,519	42,533	--	424,736	424,736	--
Total Primary Government	\$ 17,455,280	\$ 9,934,708	\$ 2,051,074	\$ 656,621	(5,237,613)	424,736	(4,812,877)	--
Component Units								
Brownfield Redevelopment Authority	\$ 268,672	\$ --	\$ 4,633	\$ --	--	--	--	(264,039)
Downtown Development Authority	258,589	15,728	11,344	--	--	--	--	(231,517)
Total Component Units	\$ 527,261	\$ 15,728	\$ 15,977	\$ --	--	--	--	(495,556)
General Purpose Revenues:								
					210,800	92,906	303,706	61
					1,774,846	--	1,774,846	24,580
					4,753,697	83,117	4,836,814	606,369
					6,739,343	176,023	6,915,366	631,010
					1,501,730	600,759	2,102,489	135,454
					43,500,691	20,159,096	63,659,787	(1,703,631)
					\$ 45,002,421	\$ 20,759,855	\$ 65,762,276	\$ (1,568,177)

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

**City of Owosso
Balance Sheet
Governmental Funds
June 30, 2020**

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Street Capital Project Fund</u>		
ASSETS						
Cash and Investments	\$ 5,451,367	\$ 1,345,020	\$ 1,352,824	\$ 2,173,241	\$ 1,260,830	\$ 11,583,282
Accounts Receivable	263,603	--	--	--	617,430	881,033
Special Assessments Receivable	118,061	--	--	--	831,438	949,499
Due from Other Governments	291,732	102,509	108,855	--	6,975	510,071
Inventories	71,832	--	--	--	--	71,832
Other Assets	--	--	--	--	204,000	204,000
Due from Other Funds	126,716	--	--	--	3,610	130,326
Advance to Component Unit	1,079,311	--	--	--	--	1,079,311
Total Assets	\$ 7,402,622	\$ 1,447,529	\$ 1,461,679	\$ 2,173,241	\$ 2,924,283	\$ 15,409,354
LIABILITIES						
Accounts Payable	\$ 121,386	\$ 315,513	\$ 123,684	\$ --	\$ 51,092	\$ 611,675
Accrued Liabilities	--	--	--	--	2,482	2,482
Accrued Wages	230,468	1,869	1,869	--	342	234,548
Due to Other Funds	3,610	--	--	--	120,814	124,424
Total Liabilities	355,464	317,382	125,553	--	174,730	973,129
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	247,630	--	--	--	831,438	1,079,068
Total Liabilities and Deferred Inflows of Resources	603,094	317,382	125,553	--	1,006,168	2,052,197
FUND BALANCE						
Nonspendable	1,151,143	--	--	--	--	1,151,143
Restricted	52,646	1,130,147	1,336,126	2,173,241	1,580,966	6,273,126
Assigned	3,236,536	--	--	--	337,149	3,573,685
Unassigned	2,359,203	--	--	--	--	2,359,203
Total Fund Balance	6,799,528	1,130,147	1,336,126	2,173,241	1,918,115	13,357,157
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 7,402,622	\$ 1,447,529	\$ 1,461,679	\$ 2,173,241	\$ 2,924,283	\$ 15,409,354

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

City of Owosso
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balance - Governmental Funds	\$	13,357,157
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.		3,542,786
Assets held on deposit with the MMRMA for self insurance are not current financial resources, and therefore are not reported in the fund statement.		208,614
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statements.		42,552,635
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows in the governmental funds, and thus are not included in fund balance.		1,079,068
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.		(4,016,896)
Certain liabilities, such as bonds payable, accrued interest, and compensated absences, are not due and payable in the current period, and therefore are not reported in the funds.		(11,720,943)
Total Net Position - Governmental Activities	\$	<u>45,002,421</u>

City of Owosso
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Street Capital Project Fund</u>		
Revenues						
Property Taxes	\$ 3,588,912	\$ --	\$ --	\$ --	\$ 1,164,785	\$ 4,753,697
Licenses and Permits	303,225	--	--	--	--	303,225
Intergovernmental	1,787,071	1,753,643	461,891	--	271,194	4,273,799
Charges for Services	1,140,090	--	--	--	13,550	1,153,640
Sales	--	--	--	--	1,875	1,875
Special Assessments	34,445	235,890	268,799	--	--	539,134
Interest	135,917	6,346	3,554	35,132	12,236	193,185
Miscellaneous	163,612	6,000	1,731	--	115,569	286,912
Total Revenues	<u>7,153,272</u>	<u>2,001,879</u>	<u>735,975</u>	<u>35,132</u>	<u>1,579,209</u>	<u>11,505,467</u>
Expenditures						
General Government	1,348,378	--	--	--	104,244	1,452,622
Public Safety	4,323,707	--	--	--	157,488	4,481,195
Public Works	905,106	2,800,270	2,035,658	1,051	9	5,742,094
Community and Economic Development	88,384	--	--	--	402,402	490,786
Recreation and Culture	182,027	--	--	--	79,008	261,035
Debt Service - Principal	--	--	--	--	510,000	510,000
Debt Service - Interest	--	--	--	--	468,582	468,582
Total Expenditures	<u>6,847,602</u>	<u>2,800,270</u>	<u>2,035,658</u>	<u>1,051</u>	<u>1,721,733</u>	<u>13,406,314</u>
Excess of Revenues Over (Under) Expenditures	<u>305,670</u>	<u>(798,391)</u>	<u>(1,299,683)</u>	<u>34,081</u>	<u>(142,524)</u>	<u>(1,900,847)</u>
Other Financing Sources (Uses)						
Transfers In	--	1,147,710	2,178,030	--	331,989	3,657,729
Transfers Out	(331,989)	(378,030)	--	(2,947,710)	--	(3,657,729)
Net Other Financing Sources (Uses)	<u>(331,989)</u>	<u>769,680</u>	<u>2,178,030</u>	<u>(2,947,710)</u>	<u>331,989</u>	<u>--</u>
Net Change in Fund Balance	<u>(26,319)</u>	<u>(28,711)</u>	<u>878,347</u>	<u>(2,913,629)</u>	<u>189,465</u>	<u>(1,900,847)</u>
<i>Fund Balance at Beginning of Period</i>	6,825,847	1,158,858	457,779	5,086,870	1,728,650	15,258,004
Fund Balance at End of Period	<u>\$ 6,799,528</u>	<u>\$ 1,130,147</u>	<u>\$ 1,336,126</u>	<u>\$ 2,173,241</u>	<u>\$ 1,918,115</u>	<u>\$ 13,357,157</u>

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

City of Owosso
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2020

Total Net Change in Fund Balances - Governmental Funds	\$ (1,900,847)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	(27,990)
Change in net position held with an agent for self-insurance.	(47,424)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This represents capital asset additions of \$4,571,448 less depreciation expense of \$905,109.	3,666,339
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds, but rather are deferred to the following fiscal year.	30,795
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Changes within compensated absences and accrued interest are not included in governmental funds, but are reductions in long-term liabilities in the statement of net position.	510,902
Change in the City's net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the statement of activities.	(730,045)
Changes in Net Position -Governmental Activities	\$ <u>1,501,730</u>

**City of Owosso
Statement of Net Position
Proprietary Funds
June 30, 2020**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Fund (Nonmajor)	Total Enterprise Funds	
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 1,929,266	\$ 581,587	\$ 412,645	\$ 81,523	\$ 3,005,021	\$ 2,031,375
Accounts Receivable	574,962	1,043,073	--	--	1,618,035	5,198
Due from Other Governments	45,507	762,619	54,429	--	862,555	--
Inventories	--	72,124	--	--	72,124	--
Total Current Assets	2,549,735	2,459,403	467,074	81,523	5,557,735	2,036,573
<i>Noncurrent Assets</i>						
Restricted Cash and Investments	--	583,758	919,692	--	1,503,450	--
Capital Assets not Being Depreciated	73,625	1,304,815	105,000	--	1,483,440	--
Capital Assets Being Depreciated, Net	1,821,123	12,660,924	3,405,198	--	17,887,245	1,709,101
Advance to Component Unit	--	650,131	--	--	650,131	--
Total Assets	4,444,483	17,659,031	4,896,964	81,523	27,082,001	3,745,674
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related Deferrals	80,819	264,116	264,182	--	609,117	84,946
Total Deferred Outflows of Resources	80,819	264,116	264,182	--	609,117	84,946
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	14,074	380,109	128,430	--	522,613	1,540
Accrued Liabilities	2,449	182,920	--	--	185,369	--
Accrued Wages	7,744	33,672	21,348	--	62,764	2,817
Current Portion of Compensated Absences	3,652	9,087	8,144	--	20,883	--
Current Portion of Long-term Debt	40,000	558,478	--	--	598,478	--
Due to Other Funds	293	4,269	1,068	--	5,630	272
Total Current Liabilities	68,212	1,168,535	158,990	--	1,395,737	4,629
<i>Noncurrent Liabilities</i>						
Compensated Absences	14,606	36,352	32,574	--	83,532	11,909
Long-term Debt	397,293	3,054,914	54,429	--	3,506,636	--
Net Pension Liabilities	171,221	559,552	559,692	--	1,290,465	179,966
Total Liabilities	651,332	4,819,353	805,685	--	6,276,370	196,504
DEFERRED INFLOWS OF RESOURCES						
Pension Related Deferrals	86,892	283,965	284,036	--	654,893	91,330
Total Deferred Inflows of Resources	86,892	283,965	284,036	--	654,893	91,330
NET POSITION						
Net Investment in Capital Assets	1,457,455	10,352,347	3,455,769	--	15,265,571	1,709,101
<i>Restricted for:</i>						
Debt Service	--	583,758	--	--	583,758	--
Improvement and Replacement	--	--	615,656	--	615,656	--
<i>Unrestricted</i>	2,329,623	1,883,724	--	81,523	4,294,870	1,833,685
Total Net Position	\$ 3,787,078	\$ 12,819,829	\$ 4,071,425	\$ 81,523	\$ 20,759,855	\$ 3,542,786

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

City of Owosso
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Fund
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Fund (Nonmajor)		
Operating Revenues						
Charges for Services	\$ 1,964,446	\$ 3,746,083	\$ 2,020,874	\$ --	\$ 7,731,403	\$ 626,573
Total Operating Revenues	1,964,446	3,746,083	2,020,874	--	7,731,403	626,573
Operating Expenses						
Personnel Services	284,660	1,333,202	1,012,169	--	2,630,031	230,548
Administrative and Engineering Services	88,155	204,734	222,048	--	514,937	27,111
Contractual and Professional Services	119,875	135,307	83,154	62,939	401,275	--
Supplies and Chemicals	5,934	214,642	139,023	--	359,599	38,130
Utilities	3,222	157,130	246,833	--	407,185	--
Insurance	9,956	42,809	38,047	--	90,812	25,983
Maintenance	58,746	417,586	270,287	--	746,619	50,687
Plant Charges	1,387,928	--	--	--	1,387,928	--
Depreciation	50,280	465,869	249,924	--	766,073	299,719
Total Operating Expenses	2,008,756	2,971,279	2,261,485	62,939	7,304,459	672,178
Operating Income (Loss)	(44,310)	774,804	(240,611)	(62,939)	426,944	(45,605)
Non-Operating Revenues (Expenses)						
Investment Income	31,743	37,569	23,474	120	92,906	17,615
Reimbursement and Miscellaneous	24,943	20,927	5,457	2,606	53,933	--
Property Taxes	--	--	--	83,117	83,117	--
Interest Expense	(10,545)	(88,129)	--	--	(98,674)	--
Net Non-Operating Revenues (Expenses)	46,141	(29,633)	28,931	85,843	131,282	17,615
Income Before Contributions	1,831	745,171	(211,680)	22,904	558,226	(27,990)
Capital Contributions	--	42,533	--	--	42,533	--
Change In Net Position	1,831	787,704	(211,680)	22,904	600,759	(27,900)
<i>Net Position at Beginning of Period</i>	3,785,247	12,032,125	4,283,105	58,619	20,159,096	3,570,776
Net Position at End of Period	\$ 3,787,078	\$ 12,819,829	\$ 4,071,425	\$ 81,523	\$ 20,759,855	\$ 3,542,786

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

**City of Owosso
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020**

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Fund (Nonmajor)	Total	Internal Service Fund
Cash Flows from Operating Activities						
Cash Received from Customers	\$ 1,920,634	\$ 3,742,959	\$ 2,027,015	\$ 2,606	\$ 7,693,214	\$ 625,427
Cash Payments to Employees for Services and Fringe Benefits	(213,046)	(1,050,912)	(783,671)	-	(2,047,629)	(148,619)
Cash Payments to Suppliers for Goods and Services	(1,821,258)	(1,520,523)	(1,172,570)	(62,939)	(4,577,290)	(183,246)
Net Cash Provided (Used) by Operating Activities	<u>(113,670)</u>	<u>1,171,524</u>	<u>70,774</u>	<u>(60,333)</u>	<u>1,068,295</u>	<u>293,562</u>
Cash Flows from Non-capital and Related Financing Activities						
Property Taxes	-	-	-	83,117	83,117	-
Other Non-capital Related Revenues	24,943	1,014	5,457	-	31,414	-
Changes in Advance to Component Unit	-	32,840	-	-	32,840	-
Changes in Interfund Balances	10,230	106,519	1,068	-	117,817	294
Net Cash Provided by Non-capital and Related Financing Activities	<u>35,173</u>	<u>140,373</u>	<u>6,525</u>	<u>83,117</u>	<u>265,188</u>	<u>294</u>
Cash Flows from Capital and Related Financing Activities						
Interest Payments on Long-term Debt	(10,545)	(88,129)	-	-	(98,674)	-
Principal Payments on Long-term Debt	5,507	242,044	54,429	-	301,980	-
Capital Contributions	-	42,533	-	-	42,533	-
Capital Asset Purchases	(180,834)	(993,134)	(512,586)	-	(1,686,554)	(411,163)
Net Cash Used by Capital and Related Financing Activities	<u>(185,872)</u>	<u>(796,686)</u>	<u>(458,157)</u>	<u>-</u>	<u>(1,440,715)</u>	<u>(411,163)</u>
Cash Flows from Investing Activities						
Investment Income	31,743	37,569	23,474	120	92,906	17,615
Net Cash Provided by Investing Activities	<u>31,743</u>	<u>37,569</u>	<u>23,474</u>	<u>120</u>	<u>92,906</u>	<u>17,615</u>
Net Increase (Decrease) in Cash and Equivalents	(232,626)	552,780	(357,384)	22,904	(14,326)	(99,692)
<i>Cash and Equivalents - Beginning of Year</i>	2,161,892	612,565	1,689,721	58,619	4,522,797	2,131,067
Cash and Equivalents - End of Year	<u>\$ 1,929,266</u>	<u>\$ 1,165,345</u>	<u>\$ 1,332,337</u>	<u>\$ 81,523</u>	<u>\$ 4,508,471</u>	<u>\$ 2,031,375</u>

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

City of Owosso
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Fund (Nonmajor)	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating Income (Loss)	\$ (44,310)	\$ 774,804	\$ (240,611)	\$ (62,939)	\$ 426,944	\$ (45,605)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities						
Depreciation Expense	50,280	465,869	249,924	-	766,073	299,719
Changes in Assets and Liabilities						
Accounts Receivable	(43,812)	(23,037)	6,141	-	(60,708)	(1,146)
Due from Other Governments	(45,507)	(555,908)	(54,429)	-	(655,844)	-
Inventories	-	1,957	-	-	1,957	-
Accounts Payable	(103,051)	189,610	(121,386)	2,606	(32,221)	(42,296)
Accrued Wages and Liabilities	1,116	16,026	2,637	-	19,779	961
Compensated Absences	2,335	519	1,834	-	4,688	1,662
Pension Related Amounts	69,279	301,684	226,664	-	597,627	80,267
Net Cash Provided (Used) by Operating Activities	\$ (113,670)	\$ 1,171,524	\$ 70,774	\$ (60,333)	\$ 1,068,295	\$ 293,562

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

City of Owosso
Statement of Fiduciary Net Position
Pension Trust Fund
As of December 31, 2019

	December 31, 2019
	Pension Trust Fund
ASSETS	
Cash and Investments	\$ 30,690,663
Accounts Receivable	53,743
<i>Total Assets</i>	30,744,406
LIABILITIES	
Accounts Payable	5,093
<i>Total Liabilities</i>	5,093
NET POSITION	
Held in Trust	\$ 30,739,313

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

City of Owosso
Statement of Changes in Plan Net Position
Pension Trust Fund
For the Year Ended December 31, 2019

	December 31, 2019
	Pension Trust Fund
ADDITIONS	
Net Appreciation in Fair Value of Investments	\$ 6,582,555
Net Investment Income	6,582,555
Contributions:	
Employer	395,379
Plan Members	176,358
Total Contributions	571,737
Total Additions	7,154,292
DEDUCTIONS	
Benefit payments	7,754,140
Administrative expenses	184,095
Total Deductions	7,938,235
Change in Net Position	(783,943)
Net Position, Beginning of Year	31,523,256
Net Position, End of Year	\$ 30,739,313

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

City of Owosso
Combining Statement of Net Position
Component Units
June 30, 2020

	Brownfield Redevelopment Authority	Downtown Development Authority	Total Component Units
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 83,375	\$ 80,256	\$ 163,631
Accounts Receivable	--	48,605	48,605
Due from Other Governments	--	72,290	72,290
Inventories	65,700	--	65,700
Total Assets	149,075	201,151	350,226
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	--	11,196	11,196
Due to Other Governments	65,700	--	65,700
Current Portion of Long-term Debt	137,225	--	137,225
Total Current Liabilities	202,925	11,196	214,121
<i>Noncurrent Liabilities</i>			
Long-term Debt	1,704,282	--	1,704,282
Total Liabilities	1,907,207	11,196	1,918,403
NET POSITION			
<i>Unrestricted</i>	(1,758,132)	189,955	(1,568,177)
Total Net Position	\$ (1,758,132)	\$ 189,955	\$ (1,568,177)

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

City of Owosso
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2020

	Brownfield Redevelopment Authority	Downtown Development Authority	Total Component Units
Expenses			
Brownfield Redevelopment Authority	\$ 268,672	\$ --	\$ 268,672
Downtown Development Authority	--	258,589	258,589
Total Expenses	268,672	258,589	527,261
Program Revenues			
Operating Grants and Contributions	4,633	11,344	15,977
Total Program Revenues	4,633	11,344	15,977
Net Program Revenues (Expenses)	(264,039)	(247,245)	(511,284)
General Revenue			
Intergovernmental	--	24,580	24,580
Miscellaneous	--	15,728	15,728
Investment Income	61	--	61
Property Taxes	398,726	207,643	606,369
Total General Revenues	398,787	247,951	646,738
Change in Net Position	134,748	706	135,454
<i>Net Position at Beginning of Period</i>	(1,892,880)	189,249	(1,703,631)
Net Position at End of Period	\$ (1,758,132)	\$ 189,955	\$ (1,568,177)

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

Notes to the Financial Statements

City of Owosso

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The City of Owosso, Michigan (the "City") is a municipal corporation governed by an elected mayor and seven member council and administered by an appointed City Manager.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied 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 City's accounting policies are described below.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and as such, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the government.

Discretely Presented Component Units

The discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

The governing bodies of the Brownfield Redevelopment Authority ("Brownfield") and Downtown Development Authorities (DDA) are all appointed by the City Council. These component units provide economic development and financing services to specific geographic areas within the City. These entities are fiscally dependent on the City because the City Council is responsible for approving any debt issuances and the annual operating budgets of all component units. All discretely presented component units use governmental fund type accounting. However, full accrual accounting is used for the government-wide financial statement presentation.

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council. Separately issued financial statements can be obtained from the administrative offices of the DDA.

The Brownfield Redevelopment Authority was created to facilitate the implementation of plans relating to the identification and treatment of environmentally distressed areas to promote revitalization within the Brownfield Redevelopment Zone. The Brownfield governing body, which

City of Owosso

Notes to the Financial Statements

consists of seven members, is selected by the City Council. In addition, the Brownfield budget is subject to approval by the City Council. Separate financial statements are not prepared.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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

City of Owosso

Notes to the Financial Statements

incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

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

The ***major streets fund*** is used to account for the proceeds of revenue or financing activities earmarked for major street construction and improvements which require separate accounting because of legal or regulatory provisions.

The ***local streets fund*** is used to account for the proceeds of revenue or financing activities earmarked for local street construction and improvements which require separate accounting because of legal or regulatory provisions.

The ***streets capital project fund*** is used to account for proceeds of revenue or financing activities earmarked for future major or local street improvements.

The City reports the following major proprietary funds:

The ***water supply system and sewage disposal system funds*** are used to account for the provision of water and sewer services to the residents of the City and some residents of the surrounding community. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

The ***wastewater treatment fund*** is used to record the transactions relative to construction, operation, and maintenance of a wastewater treatment plant. It provides treatment facilities for Owosso and Caledonia Townships, the City of Corunna, as well as for the City itself.

City of Owosso

Notes to the Financial Statements

Additionally, the City reports the following fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital project funds are used to account for and report financial resources that are used for capital projects.

The **internal service fund** accounts for fleet maintenance services provided to other departments of the City on a cost reimbursement basis.

The **pension trust fund** accounts for the Employees' Retirement System (the "System"), a defined benefit pension plan. It is governed by a seven-member pension board that includes three individuals chosen by the City Council. The system is reported within the City's basic financial statements even though its resources cannot be used to fund the City's operations because of the fiduciary responsibility that the City retains relative to the operations of the retirement system.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. The water supply system and sewage disposal system also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to connect new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of Owosso

Notes to the Financial Statements

Restricted net position is subject to restrictions beyond the government's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The City's cash and cash equivalents include amounts in demand deposit accounts, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition. Investments, exclusive of certificates of deposit, are stated at fair value. Certificates of deposit are carried at cost plus accrued interest, since the original maturity dates are less than one year or the certificates are nonparticipating (i.e., there is no available market for trade prior to maturity).

The pension trust fund is authorized by the State's Pension Investment Act, as amended, to invest in common stocks, real estate, and various other investment instruments, subject to certain limitations.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred would be reported as "unearned".

City of Owosso

Notes to the Financial Statements

Restricted Assets

Assets which are restricted for specified uses by bond debt requirements, grant provisions or other external requirements are classified as restricted assets. Liabilities payable from such restricted assets are separately classified.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for changes in expected and actual investment returns, assumptions, and benefits provided in its pension plans.

Property Taxes

Property taxes are levied each July 1 and December 1 on the taxable valuation of property, as equalized by the State, as of the preceding December 31, the lien date. The levies are considered past due on September 1 and February 15, respectively, at which time applicable penalties and interest are assessed. The City bills and collects its own property taxes as well as taxes for the various local governmental units. Collections and remittances for other units are accounted for in the trust and agency fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

Inventories and Prepaids

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 the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, buildings and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their estimated acquisition cost as of the donation date.

City of Owosso

Notes to the Financial Statements

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Improvements	11-50
Land Improvements	5-50
Machinery, Vehicles, and Equipment	5-25
Office Furnishings	5-20
Road, Sidewalks, and Other Infrastructure	50

The amount presented as capital assets not being depreciated includes land acquired by the City as well as construction in process. The land is deemed to have an indefinite useful life, and therefore are not being amortized.

The City reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a current charge to income is recognized.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City's full accrual activities and funds report deferred inflows of resources for deferred pension amounts whereas the City's governmental funds report unavailable revenues, which arise only under a modified basis of accounting, from long-term amounts due from others for services rendered. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

City of Owosso

Notes to the Financial Statements

Long-term Obligations

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

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

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either; a) not in spendable form or b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the City's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City's finance director. Unassigned fund balance is the residual classification for the general fund. No other funds other than the general fund may have unassigned fund balance, therefore any amounts remaining in excess of nonspendable, restricted, or committed funds in funds other than the general fund will automatically be reported as assigned fund balance. If any portion of existing fund balance will be used to eliminate a projected deficit in the subsequent year's budget, this amount will also be categorized as assigned fund balance.

The City Council has adopted a minimum fund balance policy in which the general fund will be equal to 25% of general fund operating expenses. If the fund balance of the general fund falls below the minimum range, the City will replenish shortfall by reducing expenditures, increasing revenues or a combination of expenditure reductions and revenue enhancements as detailed in the policy. If the fund balance of the general fund exceeds 25% plus an infrastructure emergency reserve of \$1 million, the City shall consider using such surpluses for one-time non-recurring expenditures that will not require additional future expenses for maintenance, additional staffing or any other recurring expenditures, in accordance with the policy.

City of Owosso

Notes to the Financial Statements

When the City incurs an expenditure for purposes for which various fund balance classifications can be used, it is the City's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Pensions

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

Note 2 - Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental fund types, except capital project funds which are adopted on a project level.

Individual amendments for the year were not material in relation to the original appropriations. Supplemental appropriations were made during the year. Unexpended appropriations lapse at year end.

Budget appropriations are authorized by the City Council on a departmental basis in accordance with sections of the City Charter. Legal budgetary control is exercised at the activity level for the general fund and the activity level inclusive of capital outlay for all other funds.

For the year ended June 30, 2020, the City incurred expenditures in excess of the amounts appropriated, as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Assessing	\$ 140,445	\$ 141,936	\$ (1,491)
Buildings and Ground Maintenance	67,203	67,842	(639)
General Administration	224,018	225,448	(1,430)
Police	2,075,565	2,093,084	(17,519)
Building and Code Enforcement	223,836	239,790	(15,954)
Public Works	627,089	675,743	(48,654)
Community and Economic Development	86,914	88,384	(1,470)
Major Streets Fund			
Public Works	2,429,438	2,800,270	(370,832)
Transfer Out	339,166	378,030	(38,864)

City of Owosso

Notes to the Financial Statements

Note 3 - Deficit Fund Equity

The Brownfield Redevelopment Authority had a deficit net position at year-end of \$(1,758,132). The Brownfield Redevelopment Authority will capture property taxes in the future and use revenues from services to eliminate this deficit.

Note 4 - Deposits and Investments

Following is a reconciliation of deposit and investment balances for the City (including both cash and investments as well as pension trust fund balances) as of June 30, 2020:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and Investments	\$ 16,619,678	\$ 163,631	\$ 16,783,309
Restricted Cash and Investments	1,503,450	-	1,503,450
Statement of Fiduciary Net Position			
Pension Trust Fund			
Cash and Cash Equivalents	881,248	-	881,248
Investments	29,809,415	-	29,809,415
Total Deposits and Investments	\$ 48,813,791	\$ 163,631	\$ 48,977,422
Deposits and Investments			
Checking and Savings Accounts			\$ 13,829,743
Certificates of Deposit			1,501,389
Investments			33,640,650
Cash on Hand			5,640
Total			\$ 48,977,422

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks and credit unions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the government. The City does not require collateralization of deposits. At June 30, 2020, the bank balance of deposits owned by the City

City of Owosso

Notes to the Financial Statements

was \$14,046,683. Approximately \$1,022,755 of the City's bank balance was covered by federal depository insurance. The remaining balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2020 for the primary government. The pension trust fund is as of December 31, 2019:

Investments	
Money Market Funds	\$ 901,173
Equities	24,108,899
Corporate Bonds	2,037,325
Municipal Obligations	1,098,286
Government Securities	5,494,967
Total	<u>\$ 33,640,650</u>

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2020 (December 31, 2019 for the pension trust fund), none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty

Interest Rate Risk. To the extent possible, the City attempts to match its investments with anticipated cash flow requirements. Short-term funds matched to a specific cash flow requirement shall be invested in securities maturing not more than two years from the date of purchase. Long-term funds (capital, debt services, etc.) matched to a specific cash flow requirement may be invested in securities maturing not more than five years from the date of purchase.

The City's investment policy and the Employee Retirement System's investment policy do not have specific limits on maturities of debt securities as a means of managing its exposure to fair value losses arising from increasing interest rates.

City of Owosso

Notes to the Financial Statements

	Primary Government	Pension Trust Fund	Totals
Statement of Net Position			
Due in less than one year	\$ 2,599,674	\$ 597,496	\$ 3,197,170
Due in one to five years	-	4,221,833	4,221,833
Due in six to ten years	-	1,136,449	1,136,449
Due in more than ten years	-	1,537,848	1,537,848
No maturity	2,148,801	22,899,938	25,048,739
Total Deposits and Investments	\$ 4,748,475	\$ 30,393,564	\$ 35,142,039

	S&P Rating
Money Market Funds	Not Rated
Equities	Not Rated
Corporate Bonds	AAA to D
Municipal Obligations	AA to AA-
Government Securities	AA+

The money market funds are comprised of short-term securities (maturity generally less than 90 days).

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

The Employee Retirement System's investment policy on credit risk for allowable debt securities follows the City. The credit rating for each investment type is identified in the above table for debt securities held at December 31, 2019.

Concentration of Credit Risk. The Employee Retirement System's investment policy limits maturity value that may be invested in U.S. Equities to 5% of the outstanding securities of one issuer.

Fair Value Measurements. The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the City's investment managers. These

City of Owosso

Notes to the Financial Statements

are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment managers will request the information from the fund managers, if necessary.

The City had the following recurring fair value measurements as of year-end:

	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	\$ 901,173	\$ -	\$ -	\$ 901,173
Equities	24,108,899	-	-	24,108,899
Corporate Bonds	-	2,037,325	-	2,037,325
Municipal Obligations	-	1,098,286	-	1,098,286
Government Securities	-	5,494,967	-	5,494,967
Total Deposits and Investments	\$ 25,010,072	\$ 8,630,578	\$ -	\$ 33,640,650

Note 5 - Receivables

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 886,231	\$ 1,621,077	\$ 48,605
Intergovernmental	510,071	862,555	72,290
Special Assessments	949,499	-	-
<i>Total</i>	2,345,801	2,483,632	120,895
Less: Allowance for uncollectible	-	(3,042)	-
Receivables, Net	\$ 2,345,801	\$ 2,480,590	\$ 120,895

The general fund and the water fund have advanced \$1,079,311 and \$650,131, respectively, to the Brownfield fund that will be repaid over 15 years at an interest rate of 4.00%. Of the balance, approximately \$1,607,900 is not expected to be collected within one year.

City of Owosso

Notes to the Financial Statements

Note 6 - Accounts Payable

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 613,215	\$ 522,613	\$ 11,196
Due to Other Governments	-	-	65,700
Self-Insurance Liability	65,961	-	-
	\$ 679,176	\$ 522,613	\$ 76,896

Note 7 - Interfund Receivables and Payables and Transfers

The composition of interfund balances as of year-end was as follows:

Receivable Fund	Payable Fund	Amount
General	Fleet Maintenance	\$ 272
General	Sewer	293
General	Subdivision	120,814
General	Wastewater Treatment	1,068
General	Water	4,269
Historical Fund	General	3,610

These balances resulted in the time lag between the dates that; 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Transfer In	Transfer Out	Amount
Capital Projects	General	\$ 291,989
Historical Fund	General	40,000
Local Streets	Major Streets	378,030
Local Streets	Street Capital Project Fund	1,800,000
Major Streets	Street Capital Project Fund	1,147,710

Transfers are used to; 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Owosso

Notes to the Financial Statements

The street capital project fund transferred \$1,147,710 and \$1,800,000 to the major streets and local streets fund, respectively, to fund city street projects.

Note 8 - Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2020 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not Being Depreciated					
Land	\$ 4,559,913	\$ -	\$ -	\$ -	\$ 4,559,913
Construction in Progress	790,314	2,135,812	-	(422,415)	2,503,711
<i>Subtotal</i>	<u>5,350,227</u>	<u>2,135,812</u>	<u>-</u>	<u>(422,415)</u>	<u>7,063,624</u>
Capital Assets Being Depreciated					
Roads and Sidewalks	56,570,536	2,311,111	-	279,782	59,161,429
Land Improvements	3,655,103	9,425	-	142,633	3,807,161
Buildings and Improvements	2,860,343	-	-	-	2,860,343
Vehicles	4,673,377	294,018	(22,170)	-	4,945,225
Office Furnishings	1,367,139	42,668	-	-	1,409,807
Machinery and Equipment	2,535,514	191,178	(196,094)	-	2,530,598
<i>Subtotal</i>	<u>71,662,012</u>	<u>2,848,400</u>	<u>(218,264)</u>	<u>422,415</u>	<u>74,714,563</u>
Less Accumulated Depreciation					
Roads and Sidewalks	25,778,715	514,374	-	-	26,293,089
Land Improvements	2,405,775	129,369	-	-	2,535,144
Buildings and Improvements	2,453,388	69,658	-	-	2,523,046
Vehicles	2,586,699	267,135	(22,170)	-	2,831,664
Office Furnishings	1,305,158	32,817	-	-	1,337,975
Machinery and Equipment	1,998,551	191,474	(194,492)	-	1,995,533
<i>Subtotal</i>	<u>36,528,286</u>	<u>1,204,827</u>	<u>(216,662)</u>	<u>-</u>	<u>37,516,451</u>
<i>Capital Assets Being Depreciated, Net</i>	<u>35,133,726</u>	<u>1,643,573</u>	<u>(1,602)</u>	<u>422,415</u>	<u>37,198,112</u>
Capital Assets, Governmental Activities	<u>\$ 40,483,953</u>	<u>\$ 3,779,385</u>	<u>\$ (1,602)</u>	<u>\$ -</u>	<u>\$ 44,261,736</u>

Depreciation expense was charged to functions/programs of governmental activities as follows:

Governmental Activities	
General Government	\$ 127,611
Public Safety	163,900
Public Works	521,814
Community and Economic Development	3,866
Recreation and Culture	87,917
Depreciation Charged to the Internal Service Fund	299,719
<i>Total</i>	<u>\$ 1,204,827</u>

City of Owosso

Notes to the Financial Statements

Capital asset activity for the business-type activities for the year ended June 30, 2020 was as follows:

Business-type Activities	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not Being Depreciated					
Land	\$ 467,304	\$ -	\$ -	\$ -	467,304
Construction in Progress	371,865	873,103	(8,425)	(220,407)	1,016,136
<i>Subtotal</i>	<u>839,169</u>	<u>873,103</u>	<u>(8,425)</u>	<u>(220,407)</u>	<u>1,483,440</u>
Capital Assets Being Depreciated					
Buildings	13,245,205	-	-	-	13,245,205
Improvements, other than Buildings	15,461,068	320,514	-	220,407	16,001,989
Vehicles	1,540,646	93,776	-	-	1,634,422
Machinery and Equipment	12,353,816	407,586	(13,438)	-	12,747,964
<i>Subtotal</i>	<u>42,600,735</u>	<u>821,876</u>	<u>(13,438)</u>	<u>220,407</u>	<u>43,629,580</u>
Less Accumulated Depreciation					
Buildings	8,231,194	239,347	-	-	8,470,541
Improvements, other than Buildings	6,006,397	291,134	-	-	6,297,531
Vehicles	229,361	108,983	-	-	338,344
Machinery and Equipment	10,522,748	126,609	(13,438)	-	10,635,919
<i>Subtotal</i>	<u>24,989,700</u>	<u>766,073</u>	<u>(13,438)</u>	<u>-</u>	<u>25,742,335</u>
<i>Capital Assets Being Depreciated, Net</i>	<u>17,611,035</u>	<u>55,803</u>	<u>-</u>	<u>220,407</u>	<u>17,887,245</u>
<i>Capital Assets, Business-type Activities</i>	<u>\$ 18,450,204</u>	<u>\$ 928,906</u>	<u>\$ (8,425)</u>	<u>\$ -</u>	<u>\$ 19,370,685</u>

Depreciation expense was charged to functions/programs of business-type activities as follows:

Business-type Activities	
Sewage Disposal System	\$ 50,280
Water Supply System	465,869
Wastewater Treatment System	<u>249,924</u>
<i>Total</i>	<u>\$ 766,073</u>

Note 9 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Owosso

Notes to the Financial Statements

Long-term debt obligation activity can be summarized as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2009 General Obligation Limited Tax bonds, \$950,000, due in annual installments of \$25,000 to \$75,000 through May 1, 2029, interest at 1.95% to 5.25%, payable semi-annually.	\$ 600,000	\$ -	\$ (45,000)	\$ 555,000	\$ 50,000
2010 General Obligation Unlimited Tax bonds, \$960,000, due in annual installments of \$15,000 to \$65,000 through November 1, 2030, interest at 2.35% to 2.43%, payable semi-annually	745,000	-	(60,000)	685,000	60,000
2013 General Obligation Street Bonds, \$990,000, due in annual installments of \$20,000 to \$70,000 through November 1, 2033, interest at 0.70% to 4.95%, payable semi-annually	850,000	-	(35,000)	815,000	40,000
2017 General Obligation Unlimited Tax bonds, \$4,900,000, due in annual installments of \$220,000 to \$280,000 through May 1, 2037, interest at 1.00% to 3.55%, payable annually	4,455,000	-	(230,000)	4,225,000	230,000
2018 General Obligation Unlimited Tax bonds, \$5,100,000, due in annual installments of \$350,000 to \$400,000 through May 1, 2039, interest at 1% to 3.55%, payable annually.	5,100,000	-	(140,000)	4,960,000	200,000
Compensated Absences	361,977	41,297	-	403,274	80,655
<i>Total Long-term Debt, Governmental Activities</i>	<u>\$ 12,111,977</u>	<u>\$ 41,297</u>	<u>\$ (510,000)</u>	<u>\$ 11,643,274</u>	<u>\$ 660,655</u>

City of Owosso

Notes to the Financial Statements

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bond Series 2012 Refunding, \$3,800,000 due in annual installments of \$55,000 to \$505,000 through November 1, 2022, interest at 2.00% to 3.25%, payable semi-annually	\$ 1,835,000	\$ -	\$ (410,000)	\$ 1,425,000	\$ 445,000
U.S. Bancorp Installment purchase, \$1,900,000 due in annual installments of \$150,919 through May 15, 2031, interest at 2.63%, payable annually	1,536,348	-	(110,575)	1,425,773	113,478
State Revolving Fund 2009 Sewer System, \$801,786 due in annual installments of \$30,000 to \$55,000 through April 1, 2028, interest at 2.50%, payable semi-annually	431,786	45,507	(40,000)	437,293	40,000
State Revolving Fund 2020 Wastewater Treatment System, \$2,145,000 due in annual installments of \$90,000 to \$130,000 through October 1, 2040, interest at 2.00%, payable semi-annually	-	54,429	-	54,429	-
State Revolving Fund 2020 Drinking Water, \$3,220,000 due in annual installments of \$130,000 to \$195,000 through October 1, 2040, interest at 2.00%, payable semi-annually	-	762,619	-	762,619	-
Compensated Absences	99,727	4,688	-	104,415	20,883
Total Long-term Debt, Business-type Activities	<u>\$ 3,902,861</u>	<u>\$ 867,243</u>	<u>\$ (560,575)</u>	<u>\$ 4,209,529</u>	<u>\$ 619,361</u>
<u>Component Units</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Cass Street loan from primary government, \$211,137, due in annual installments of \$7,151 to \$51,265 through June 30, 2027, interest at 0.06%, payable annually	\$ 129,741	\$ -	\$ (17,676)	\$ 112,065	\$ 15,683
Cargill Brownfield loan from primary government, \$2,120,497, due in annual installments of \$105,900 to \$176,049 through January 1, 2032, interest at 4.00%, payable annually	1,816,783	-	(87,341)	1,729,442	121,542
Total Long-term Debt, Component Units	<u>\$ 1,946,524</u>	<u>\$ -</u>	<u>\$ (105,017)</u>	<u>\$ 1,841,507</u>	<u>\$ 137,225</u>

City of Owosso

Notes to the Financial Statements

Annual debt service requirements to maturity for the primary government long-term debt are as follows:

Year Ending June 30	Governmental Activities			Business-type Activities *		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 580,000	\$ 390,851	\$ 970,851	\$ 598,478	\$ 84,574	\$ 683,052
2022	590,000	376,100	966,100	636,458	66,794	703,252
2023	605,000	360,119	965,119	674,516	47,279	721,795
2024	615,000	342,820	957,820	172,655	34,684	207,339
2025	630,000	324,375	954,375	175,876	30,213	206,089
2026 - 2030	3,330,000	1,291,546	4,621,546	883,026	81,748	964,774
2031 - 2035	3,045,000	698,084	3,743,084	147,057	3,862	150,919
2036 - 2039	1,845,000	167,105	2,012,105	-	-	-
Totals	\$ 11,240,000	\$ 3,951,000	\$ 15,191,000	\$ 3,288,066	\$ 349,154	\$ 3,637,220

*Business-type activities excludes \$817,048 of principal repayments for the 2020 state revolving loan funds as both bonds are actively being drawn upon for ongoing projects. Repayment schedules will be established when the project and bond amounts are finalized.

Annual debt service requirements to maturity for the component unit long-term debt are as follows:

Year Ending June 30	Component Unit		
	Principal	Interest	Total
2021	\$ 137,225	\$ 75,902	\$ 213,127
2022	143,028	70,099	213,127
2023	149,082	64,045	213,127
2024	155,397	57,730	213,127
2025	161,987	51,140	213,127
2026 - 2030	824,597	154,242	978,839
2031 - 2032	270,192	14,419	284,611
Totals	\$ 1,841,507	\$ 487,577	\$ 2,329,084

City of Owosso

Notes to the Financial Statements

Advance Refunding

On August 8, 2012, the City issued revenue bond series 2012 refunding of \$3,800,000. The refunded bonds mature as scheduled on August 8, 2012, through November 1, 2022. The balance of the defeased debt outstanding at year end was \$1,030,000.

The City has pledged substantially all revenue of the water supply system fund, net of operating expenses, to repay the above water supply system revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply system. The bonds are payable solely from the net revenue of the water supply system fund. During the current year, net adjusted revenue of the system was \$1,240,673 compared to the annual debt requirements of approximately \$460,163.

Note 10 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Business-type Activities
Revenue Bond Restrictions:	
Revenue Bond Reserve	\$ 583,758
Improvement and Replacement Fund	615,656
Total	\$ 1,199,414

Note 11 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee medical benefits and participates in the Michigan Municipal Bank Management Authority (risk pool) for claims relating to general and auto liability, auto physical damage and property loss claims, and the Michigan Municipal League for Workers' Compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The Michigan Municipal Risk Management Authority ("MMRMA") (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk sharing management program for losses in excess of member retention

City of Owosso

Notes to the Financial Statements

amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remain with the City.

At June 30, 2020, the City had \$274,575 on deposit with the Authority to pay claims. Upon termination of the program, any amounts remaining on deposit after the Authority has settled all claims incurred prior to termination will be returned to the City. The City estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported.

Changes in the net position for the past two fiscal years were as follows:

	<u>2020</u>	<u>2019</u>
Unpaid claims - beginning of year	\$ 5,000	\$ 100
Incurred claims and adjustments (including claims incurred but not reported)	67,645	9,255
Claim payments	(6,684)	(4,355)
Unpaid claims - end of year	65,961	5,000
Assets held on deposit with Authority	274,575	261,038
<i>Net Position - end of year</i>	<u>\$ 208,614</u>	<u>\$ 256,038</u>

Note 12 - Contingent Liabilities

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City and its Corporate Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Note 13 - Pension Plan – Single Employer Pension Trust Fund

Employees' Retirement System

Plan Description. The City sponsors and administers the City of Owosso Employees' Retirement Plan (the "Plan"), a single-employer defined benefit pension plan, which covers substantially all the employees of the City, except for certain retired union employees of the American Federation of the State, City, and Municipal Employees and the Police Command Bargaining Unit, both of which participate in the Michigan Municipal Employees' Retirement System. During 2008, the Plan was closed to all new employees under the AFSCME and general union agreements. The plan is currently open for police patrol and fire groups. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. The Plan is accounted for as a separate pension trust fund. Separate financial statements are not issued for the Plan.

City of Owosso

Notes to the Financial Statements

Plan Membership. At December 31, 2019, the date of the most recent valuation, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	77
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	31
Total membership	115

Benefits Provided. Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Vesting (Years)
General Non-Union- Closed	2.50%	80%	3	60	n/a	10
General Union - Closed	2.50%	80%	3	55	60/10	25
Police - Open	2.80%	80%	3	50	55/10	25
Fire - Open	2.8% +	80%	3	Any	55/10	25

Contributions. The contribution requirements of Plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and plan provisions. The City is required to contribute at an actuarially determined rate expressed as a percentage of covered payroll. For the year ended December 31, 2018, the City had the following contribution rates:

Division	Employee Contributions	Employer Contributions
General, Police Non-Union	6.00%	7.85%
Fire	8.00%	8.93%
Police Union	10.00%	6.30%

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2019, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Rate of Return. For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions. The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied consistently to all periods included in the measurement:

City of Owosso

Notes to the Financial Statements

Wage Inflation	3.00%
Price Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.25%, net of expenses
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition.

Mortality rates were based on the pub-2010 General tables projected to 2029 using scale MP-2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2013.

Investment Policy. The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. The investment policy has been formulated based on consideration of a wide range of policies and describes the prudent investment process that the Board deems appropriate. The Plan's asset allocation policy is shown on the following pages.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each 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 plan's target asset allocation as of December 31, 2019, and the final investment return assumption, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Expected Money- Weighted Rate of Return</u>
Domestic Equities	52.0%	7.80%	4.06%
International Equities	15.0%	6.70%	1.01%
Domestic Fixed Income	22.5%	3.50%	0.79%
Global Fixed Income	7.5%	3.30%	0.25%
Cash and Cash Equivalents	3.0%	2.70%	0.08%
	<u>100.0%</u>		<u>6.18%</u>
Inflation			1.80%
Risk Adjustments			-0.38%
Investment Rate of Return			<u>7.60%</u>

City of Owosso

Notes to the Financial Statements

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability. The components of the change in the net pension liability are summarized as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 38,116,858	\$ 31,523,256	\$ 6,593,602
Service cost	278,050	-	278,050
Interest	2,492,464	-	2,492,464
Difference between expected and actual experience	317,147	-	317,147
Changes in assumptions	1,238,358	-	1,238,358
Contributions - employer	-	395,379	(395,379)
Contributions - employee	-	176,358	(176,358)
Net investment loss	-	6,397,105	(6,397,105)
Benefit payments, including refunds	(7,754,140)	(7,754,140)	-
Administrative expenses	-	(184,096)	184,096
Other - city reimbursed expenses	-	185,450	(185,450)
Net changes	(3,428,121)	(783,944)	(2,644,177)
Balance at December 31, 2019	\$ 34,688,737	\$ 30,739,312	\$ 3,949,425

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	Current		
	1% Decrease (6.60%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability of the City	\$ 7,329,035	\$ 3,949,425	\$ 1,049,988

City of Owosso

Notes to the Financial Statements

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

For the year ended June 30, 2020, the City recognized pension expense of \$1,243,734. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 613,889	\$ -
Changes in assumptions	888,025	-
Net difference between projected and actual earnings on pension plan investments	-	2,004,278
* Employer contributions to the plan subsequent to the measurement date	362,271	-
<i>Total</i>	<i>\$ 1,864,185</i>	<i>\$ 2,004,278</i>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending	
June 30	Amount
2020	\$ 178,845
2021	(99,114)
2022	292,304
2023	(874,399)

Payable to the Pension Plan. At June 30, 2020, the City did not have any outstanding contributions due to the pension plan required for the year ended June 30, 2020.

Note 14 - Pension Plan – Agent Multiple-Employer Plan

General Information about the Plan

Plan Description. The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

City of Owosso

Notes to the Financial Statements

Benefits Provided. Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Unreduced Benefit (Age/Years of Service)	Vesting (Years)
AFSCME Council - Open	2.50%	80%	3	60	55/25	50/25, 55/15	10
Police Command - Open	2.80% or 2.50%	80%	3	60	50/25	55/15	10
POLC NonSupervisory - Closed	2.80%	80%	3	55	50/25	-	10
Hybrid IAFF - Open	1.50%	No Max	3	60	55/25	-	6

Employees Covered by Benefit Terms. At December 31, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	26
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	19
Total employees covered by MERS	46

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

For the year ended June 30, 2020, the City had the following contribution rates:

Division	Employee Contributions	Employer Contributions
AFSCME Council - Closed	6.40%	\$2,877/month
Police Command - Open	10.00%	39.13%
POLC NonSupervisory - Closed	10.00%	\$9,883/month
Hybrid IAFF - Open	0.00%	6.23%

Net Pension Liability. The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

City of Owosso

Notes to the Financial Statements

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.00% in the long-term
Investment Rate of Return	7.35%, net of investment and administrative expense and including inflation

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2015.

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.00%	7.75%	4.65%	2.50%	3.15%
Global Fixed Income	20.00%	3.75%	0.75%	2.50%	0.25%
Private Investments	20.00%	9.75%	1.95%	2.50%	1.45%
Total	100.00%		7.35%		4.85%

Discount Rate. The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Owosso

Notes to the Financial Statements

Changes in Net Pension Liability

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

<u>Changes in Net Pension Liability</u>	Increase (Decrease)		<u>Net Pension Liability</u>
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	
Balance at December 31, 2018	\$ 5,084,982	\$ 2,951,245	\$ 2,133,737
Service cost	206,341	-	206,341
Interest	392,133	-	392,133
Difference between expected and actual experience	5,515,134	-	5,515,134
Changes in assumptions	164,399	-	164,399
Contributions - employer	-	5,953,640	(5,953,640)
Contributions - employee	-	85,826	(85,826)
Net investment loss	-	543,653	(543,653)
Benefit payments, including refunds	(572,986)	(572,986)	-
Administrative expenses	-	(9,039)	9,039
Net changes	5,705,021	6,001,094	(296,073)
Balance at December 31, 2019	\$ 10,790,003	\$ 8,952,339	\$ 1,837,664

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

	Current		
	1% Decrease (6.60%)	Discount Rate (7.60%)	1% Increase (8.60%)
Net pension liability of the City	\$ 3,175,633	\$ 1,837,664	\$ 736,575

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

City of Owosso

Notes to the Financial Statements

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2020, the City recognized pension expense of \$244,389. The City reported deferred outflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 105,404
Net difference between projected and actual earnings on pension plan investments	71,336
Changes in assumptions	131,519
* Employer contributions to the plan subsequent to the measurement date	79,436
Total	<u>\$ 387,695</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021.

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

Years Ending	
June 30	Amount
2020	\$ 73,344
2021	82,203
2022	114,121
2023	38,591

Payable to the Pension Plan. At June 30, 2020, the City did not have any outstanding contributions due to the pension plan required for the year ended June 30, 2020.

Note 15 - Defined Contribution Retirement Plan

The City provides pension benefits to the city manager position along with new employees under the AFSCME and general union agreements with a defined contribution plan administered under ICMA for which the City provides employer contributions. In accordance with these requirements, the City contributed \$96,296 during the current year and employees contributed \$257,715 during the year. At June 30, 2020, the City's had no outstanding amounts due to the Plan.

Note 16 - Construction Code Fees

The City oversees building construction, in accordance with the State's construction Code Act, including inspection of building construction and renovation to ensure compliance with the

City of Owosso

Notes to the Financial Statements

building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Cumulative excess at June 30, 2019	\$	43,363
Current year Building Permit Revenue		261,609
Related expenses - Direct costs		<u>(253,976)</u>
Cumulative excess at June 30, 2020	\$	<u>50,996</u>

Note 17 - Net Investment in Capital Assets

The composition of net investment in capital assets as of June 30, 2020, was as follows:

	Governmental Activities	Business-type Activities
Capital Assets	\$ 44,261,736	\$ 19,370,685
Less: Outstanding capital-related debt as of year-end	(11,240,000)	(4,105,114)
Plus: Unspent bond proceeds	2,105,879	-
Net Investment in Capital Assets	<u>\$ 35,127,615</u>	<u>\$ 15,265,571</u>

Note 18 - Tax Abatement Disclosure

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2020, the City's property taxes were reduced by \$33,158 under this program.

Obsolete property rehabilitation tax abatements are granted in the State of Michigan under Public Act 146, as amended, to encourage investment in the significant renovation and/or rehabilitation of obsolete buildings for commercial use. The obsolete property rehabilitation tax (OPRA) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. OPRA exemptions can cover only real property. Property must be functionally obsolete as determined by the City Assessor as defined in the legislation. Project must be for a project that will have a commercial or commercial housing use. The taxable value of the qualifying property is set ("frozen") at the taxable value assigned in the year immediately preceding the effective date of the exemption certificate. New taxable value in excess of the frozen taxable value is exempted

City of Owosso

Notes to the Financial Statements

from certain millages levied on real property for a period of 1-12 years. The amount of the abatement is equal to the exempted mills applied to the amount of the taxable value created by investment in the project. The applicant and the City enter into a Memorandum of Agreement, by which the applicant agrees to pay (for distribution to the various tax collecting entities) an amount equal to amount of the taxes abated, if it does not meet the job creation or private investment estimates contained in their application. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2020, the City's property taxes were reduced by \$14,042 under this program.

The Personal Property Exemption, PA 328 of 1998, (MCL 211.9) as amended, affords a 100% property tax exemption for specific businesses located within eligible distressed communities. This exemption is for all new personal property placed in the district that has been established by the City. For the year ended June 30, 2020, the City's property taxes were reduced by \$83,721 under this program.

Brownfield redevelopment property tax abatements are granted in the State of Michigan under Public Act 381, as amended, to encourage investment in the revitalization, redevelopment, and reuse of certain properties considered contaminated, blighted, functionally obsolete, or historic resources. The brownfield redevelopment tax exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. Brownfield redevelopment exemptions can cover real and/or personal property. Property must be included in a Brownfield Plan and qualify as either a facility/site, functionally obsolete, blighted, historic resource, transit oriented property/development or a targeted redevelopment area. The beneficiary's taxes are not reduced, but are captured and reimbursed, thereby reducing the effective rate of taxation. Upon paying its taxes, a participant is eligible to be reimbursed, from a portion of its taxes paid, by the Brownfield Redevelopment Authority for the documented costs of its eligible activities, thereby reducing the effective tax that is paid. In this case, the taxes are not reduced, but are used to reimburse for certain eligible activity costs. The amount of taxes not collected by local taxing authorities is generally any amount of taxes in excess of those taxes paid in the year immediately preceding approval of a Brownfield Plan Amendment. Reimbursement is made pursuant to the terms and conditions of a Development and Reimbursement Agreement between the applicant and the Brownfield Redevelopment Authority. If taxes are captured and the terms and conditions of the Development and Reimbursement Agreement for the project are violated, the taxes may be returned to the taxing authorities that would otherwise have received the taxes. From time to time, the City and/or the Brownfield Redevelopment Authority participate in a project by making investments in public infrastructure surrounding a project. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2020, the City's property taxes were reduced by \$85,114 under this program.

City of Owosso

Notes to the Financial Statements

Note 19 - Fund Balance Classifications

The following schedule summarizes governmental fund balances as of June 30, 2020:

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Streets Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable						
Advance to Component Unit	\$ 1,079,311	\$ -	\$ -	\$ -	\$ -	\$ 1,079,311
Inventories	71,832	-	-	-	-	71,832
Total Nonspendable	<u>1,151,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,151,143</u>
Restricted for:						
Building Department	50,996	-	-	-	-	50,996
Debt Service	-	-	-	-	30,624	30,624
Housing	-	-	-	-	73	73
Historical	-	-	-	-	177,881	177,881
Downtown Facade	-	-	-	-	15,178	15,178
Street Capital Projects	-	-	-	2,173,241	-	2,173,241
Revolving Loans	-	-	-	-	1,231,276	1,231,276
Recreation	1,650	-	-	-	125,934	127,584
Streets	-	1,130,147	1,336,126	-	-	2,466,273
Total Restricted	<u>52,646</u>	<u>1,130,147</u>	<u>1,336,126</u>	<u>2,173,241</u>	<u>1,580,966</u>	<u>6,273,126</u>
Assigned for:						
Portion of Expenditures	223,688	-	-	-	-	223,688
Building Authority	-	-	-	-	36,614	36,614
DDA Construction	-	-	-	-	36,297	36,297
Capital Projects	-	-	-	-	181,052	181,052
Subdivision Debt	120,814	-	-	-	83,186	204,000
Compensated Absences	403,274	-	-	-	-	403,274
Special Assessment	100,000	-	-	-	-	100,000
Economic Development	500,000	-	-	-	-	500,000
Owosso Drain	58,110	-	-	-	-	58,110
Unfunded Pension Liability	500,000	-	-	-	-	500,000
Revenue Sharing - COVID Uncertainty	350,000	-	-	-	-	350,000
Capital Cuts	180,650	-	-	-	-	180,650
Contingencies	550,000	-	-	-	-	550,000
Street Assessments	250,000	-	-	-	-	250,000
Total Assigned	<u>3,236,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,149</u>	<u>3,573,685</u>
Unassigned	<u>2,359,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,359,203</u>
Total Fund Balances - Governmental Funds	<u>\$ 6,799,528</u>	<u>\$ 1,130,147</u>	<u>\$ 1,336,126</u>	<u>\$ 2,173,241</u>	<u>\$ 1,918,115</u>	<u>\$ 13,357,157</u>

Required Supplementary Information

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 3,553,833	\$ 3,565,333	\$ 3,588,912	\$ 23,579
Licenses and Permits	173,826	218,254	303,225	84,971
Intergovernmental	1,846,523	1,893,103	1,787,071	(106,032)
Charges for Services	1,320,500	1,320,500	1,140,090	(180,410)
Special Assessments	--	--	34,445	34,445
Interest	75,000	90,575	135,917	45,342
Miscellaneous	90,000	144,756	163,612	18,856
Total Revenues	7,059,682	7,232,521	7,153,272	(79,249)
Expenditures				
General Government				
City Council	5,300	5,300	4,097	1,203
City Manager	89,185	123,515	118,655	4,860
Finance	189,624	188,124	168,666	19,458
Assessing	142,039	140,445	141,936	(1,491)
Attorney	115,000	115,000	112,753	2,247
Clerk	203,170	203,170	166,329	36,841
Human Resources	148,418	148,415	147,734	681
Treasurer	121,791	121,791	113,228	8,563
Information Technology	75,509	85,509	81,688	3,821
Buildings and Ground Maintenance	67,203	67,203	67,842	(639)
General Administration	194,858	224,018	225,448	(1,430)
Total General Government	1,352,097	1,422,490	1,348,378	74,114
Public Safety				
Police	2,017,119	2,075,565	2,093,084	(17,519)
Fire Department	1,962,167	2,097,642	1,990,833	106,809
Building and Code Enforcement	223,836	223,836	239,790	(15,954)
Total Public Safety	4,203,122	4,397,043	4,323,707	73,336
Public Works				
Public Works	621,589	627,089	675,743	(48,654)
Leaf and Brush Collection	221,363	221,363	203,836	17,527
Parking	33,030	33,030	25,527	7,503
Total Public Works	875,982	881,482	905,106	(23,624)
Community and Economic Development				
	67,486	86,914	88,384	(1,470)
Recreation and Culture				
	230,600	230,600	182,027	48,573
Total Expenditures	6,729,287	7,018,532	6,847,602	170,930
Other Financing Uses				
Transfers to other funds	330,395	331,989	331,989	--
Total Expenditures and Other Financing Uses	7,108,116	7,191,036	7,179,591	219,005
Excess (Deficiency) of Revenues Over Expenditures and Other Uses				
	(156,000)	(262,420)	(26,319)	701,751
Net Change in Fund Balance	(156,000)	(262,420)	(26,319)	701,751
Fund Balance at Beginning of Period	6,825,847	6,825,847	6,825,847	--
Fund Balance at End of Period	\$ 6,669,847	\$ 6,563,427	\$ 6,799,528	\$ 701,751

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Intergovernmental	\$ 1,717,000	\$ 1,717,000	\$ 1,753,643	\$ 36,643
Special Assessments	100,000	250,000	235,890	(14,110)
Interest	2,500	2,500	6,346	3,846
Miscellaneous	--	--	6,000	6,000
Total Revenues	<u>1,819,500</u>	<u>1,969,500</u>	<u>2,001,879</u>	<u>32,379</u>
Other Financing Sources				
Transfers In	750,000	1,147,710	1,147,710	--
Total Revenues and Other Financing Sources	<u>750,000</u>	<u>1,147,710</u>	<u>1,147,710</u>	<u>--</u>
	<u>2,569,500</u>	<u>3,117,210</u>	<u>3,149,589</u>	<u>32,379</u>
Expenditures				
Public Works	2,279,438	2,429,438	2,800,270	(370,832)
Total Expenditures	<u>2,279,438</u>	<u>2,429,438</u>	<u>2,800,270</u>	<u>(370,832)</u>
Other Financing Uses				
Transfers Out	339,166	339,166	378,030	(38,864)
Total Expenditures and Other Financing Uses	<u>339,166</u>	<u>339,166</u>	<u>378,030</u>	<u>(38,864)</u>
	<u>2,618,604</u>	<u>2,768,604</u>	<u>3,178,300</u>	<u>(409,696)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(49,104)</u>	<u>348,606</u>	<u>(28,711)</u>	<u>(377,317)</u>
Net Change in Fund Balance	<u>(49,104)</u>	<u>348,606</u>	<u>(28,711)</u>	<u>(377,317)</u>
Fund Balance at Beginning of Period	1,158,858	1,158,858	1,158,858	--
Fund Balance at End of Period	<u>\$ 1,109,754</u>	<u>\$ 1,507,464</u>	<u>\$ 1,130,147</u>	<u>\$ (377,317)</u>

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Streets
For the year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Intergovernmental	\$ 438,700	\$ 438,700	\$ 461,891	\$ 23,191
Special Assessments	61,000	236,000	268,799	32,799
Interest	--	--	3,554	3,554
Miscellaneous	--	--	1,731	1,731
Total Revenues	<u>499,700</u>	<u>674,700</u>	<u>735,975</u>	<u>61,275</u>
Other Financing Sources				
Transfers In	<u>1,807,837</u>	<u>2,083,030</u>	<u>2,178,030</u>	<u>95,000</u>
Total Revenues and Other Financing Sources	<u>2,307,537</u>	<u>2,757,730</u>	<u>2,914,005</u>	<u>156,275</u>
Expenditures				
Public Works	<u>2,383,825</u>	<u>2,558,825</u>	<u>2,035,658</u>	<u>523,167</u>
Total Expenditures	<u>2,383,825</u>	<u>2,558,825</u>	<u>2,035,658</u>	<u>523,167</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>(76,288)</u>	<u>198,905</u>	<u>878,347</u>	<u>679,442</u>
Net Change in Fund Balance	<u>(76,288)</u>	<u>198,905</u>	<u>878,347</u>	<u>679,442</u>
Fund Balance at Beginning of Period	<u>457,779</u>	<u>457,779</u>	<u>457,779</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 381,491</u>	<u>\$ 656,684</u>	<u>\$ 1,336,126</u>	<u>\$ 679,442</u>

City of Owosso
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Plan Years (Schedule is built prospectively upon implementation of GASB 68)
Employee's Retirement System Single Employer Pension Plan

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 278,050	\$ 386,886	\$ 428,682	\$ 432,001	\$ 442,936	\$ 476,628
Interest	2,492,464	2,640,526	2,610,296	2,532,569	2,586,834	2,525,333
Differences Between Expected and Actual Experience	317,147	389,613	377,079	915,114	(373,598)	345,843
Changes in Assumptions	1,238,358	-	-	-	(814,031)	-
Benefit Payments, Including Refunds	(7,754,140)	(3,055,552)	(2,900,823)	(2,711,036)	(2,510,549)	(2,454,795)
Other	-	-	-	-	25,639	-
Net Change in Pension Liability	(3,428,121)	361,473	515,234	1,168,648	(642,769)	893,009
<i>Total Pension Liability - Beginning</i>	<i>38,116,858</i>	<i>37,755,385</i>	<i>37,240,151</i>	<i>36,071,503</i>	<i>36,714,272</i>	<i>35,821,263</i>
Total Pension Liability - Ending (a)	\$ 34,688,737	\$ 38,116,858	\$ 37,755,385	\$ 37,240,151	\$ 36,071,503	\$ 36,714,272
Plan Fiduciary Net Position						
Contributions - Employer	\$ 395,379	\$ 766,089	\$ 958,312	\$ 629,143	\$ 600,769	\$ 701,388
Contributions - Member	176,358	210,523	214,940	234,195	238,860	221,638
Net Investment Income (Loss)	6,397,105	(2,140,430)	5,769,694	1,684,322	(8,045)	1,858,842
Benefit Payments, Including Refunds	(7,754,140)	(3,055,552)	(2,900,823)	(2,711,036)	(2,510,549)	(2,454,795)
Administrative Expenses	(184,096)	(166,936)	(147,227)	(155,668)	(56,618)	(36,025)
Other - City Reimbursed Expenses	185,450	156,570	142,738	92,956	-	-
Other - Audit and Education	-	-	-	(6,690)	-	-
Net Change in Plan Fiduciary Net Position	(783,944)	(4,229,736)	4,037,634	(232,778)	(1,735,583)	291,048
<i>Plan Fiduciary Net Position - Beginning</i>	<i>31,523,256</i>	<i>35,752,992</i>	<i>31,715,358</i>	<i>31,948,136</i>	<i>33,683,719</i>	<i>33,392,671</i>
Plan Fiduciary Net Position - Ending (b)	\$ 30,739,312	\$ 31,523,256	\$ 35,752,992	\$ 31,715,358	\$ 31,948,136	\$ 33,683,719
Net Pension Liability - Ending (a) - (b)	\$ 3,949,425	\$ 6,593,602	\$ 2,002,393	\$ 5,524,793	\$ 4,123,367	\$ 3,030,553
Liability	88.61%	82.70%	94.70%	85.16%	88.57%	91.75%
Covered Employee Payroll	\$ 1,781,909	\$ 2,459,389	\$ 2,701,419	\$ 2,786,412	\$ 2,891,530	\$ 2,938,821
Net Pension Liability as a Percentage of Covered Employee Payroll	221.64%	268.10%	74.12%	198.28%	142.60%	103.12%

City of Owosso
Required Supplementary Information
Schedule of Contributions
Employee's Retirement System Single Employer Pension Plan
Last Six Fiscal Years

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 369,283	\$ 757,712	\$ 614,448	\$ 629,143	\$ 600,769	\$ 559,281
Contributions in Relation to the Actuarially Determined Contribution	395,379	766,089	958,312	629,143	600,769	559,281
Contribution Deficiency (Excess)	<u>\$ (26,096)</u>	<u>\$ (8,377)</u>	<u>\$ (343,864)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,781,909	\$ 2,238,044	\$ 2,633,884	\$ 2,124,150	\$ 2,761,338	\$ 3,028,775
Contributions as a Percentage of Covered Employee Payroll	22.19%	34.23%	36.38%	29.62%	21.76%	18.47%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of payroll for open groups, dollar level for closed groups
Remaining amortization period	11-year closed period
Asset valuation method	4-year smooth market
Wage Inflation	3.00%
Price Inflation	2.50%
Salary increases	3.00% to 13.0% including inflation
Investment rate of return	7.25%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Mortality Table projected to 2020 using Projection Scale AA.

City of Owosso
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Plan Years (Schedule is built prospectively upon implementation of GASB 68)
MERS Agent Multiple-Employer Defined Benefit Pension Plan

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 206,341	\$ 58,387	\$ 60,121	\$ 58,476	\$ 59,072	\$ 56,663
Interest	392,133	386,699	372,940	370,415	367,218	364,054
Differences Between Expected and Actual Experience	5,515,134	33,459	128,899	(6,914)	(109,144)	-
Changes in Assumptions	164,399	-	-	-	203,319	-
Changes in Benefits	-	-	7,111	5,931	50,916	-
Benefit Payments, Including Refunds	(572,986)	(396,219)	(396,218)	(398,083)	(385,997)	(381,134)
Net Change in Pension Liability	5,705,021	82,326	172,853	29,825	185,384	39,583
<i>Total Pension Liability - Beginning</i>	<i>5,084,982</i>	<i>5,002,656</i>	<i>4,829,803</i>	<i>4,799,978</i>	<i>4,614,594</i>	<i>4,575,011</i>
Total Pension Liability - Ending (a)	\$ 10,790,003	\$ 5,084,982	\$ 5,002,656	\$ 4,829,803	\$ 4,799,978	\$ 4,614,594
Plan Fiduciary Net Position						
Contributions - Employer	\$ 5,953,640	\$ 140,293	\$ 139,100	\$ 206,166	\$ 45,863	\$ 50,484
Contributions - Member	85,826	42,775	43,917	45,641	59,586	59,724
Net Investment Income (Loss)	543,653	(122,935)	399,865	328,921	(45,980)	205,685
Benefit Payments, Including Refunds	(572,986)	(396,218)	(396,218)	(398,083)	(385,997)	(381,134)
Administrative Expenses	(9,039)	(6,246)	(6,346)	(6,486)	(6,899)	(7,495)
Net Change in Plan Fiduciary Net Position	6,001,094	(342,331)	180,318	176,159	(333,427)	(72,736)
<i>Plan Fiduciary Net Position - Beginning</i>	<i>2,951,245</i>	<i>3,293,576</i>	<i>3,113,258</i>	<i>2,937,099</i>	<i>3,270,526</i>	<i>3,343,262</i>
Plan Fiduciary Net Position - Ending (b)	\$ 8,952,339	\$ 2,951,245	\$ 3,293,576	\$ 3,113,258	\$ 2,937,099	\$ 3,270,526
Net Pension Liability - Ending (a) - (b)	\$ 1,837,664	\$ 2,133,737	\$ 1,709,080	\$ 1,716,545	\$ 1,862,879	\$ 1,344,068
Liability	82.97%	58.04%	65.84%	64.46%	61.19%	70.87%
Covered Payroll	\$ 1,347,302	\$ 427,743	\$ 418,961	\$ 413,925	\$ 313,381	\$ 339,241
Net Pension Liability as a Percentage of Covered Payroll	136.40%	498.84%	407.93%	414.70%	594.45%	396.20%

City of Owosso
Required Supplementary Information
Schedule of Contributions
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Last Six Fiscal Years

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 5,138,223	\$ 140,293	\$ 139,100	\$ 128,079	\$ 81,621	\$ 46,402
Contributions in Relation to the Actuarially Determined Contribution	5,953,640	140,293	139,100	128,079	81,621	46,402
Contribution Deficiency (Excess)	\$ (815,417)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 1,347,302	\$ 432,876	\$ 423,989	\$ 424,603	\$ 430,897	\$ 311,669
Contributions as a Percentage of Covered Employee Payroll	441.89%	32.41%	32.81%	30.16%	18.94%	14.89%

Notes

Valuation Date

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll
Remaining amortization period	19 years
Asset valuation method	Open; 10-year smooth market
Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.35%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The normal retirement rates were first used for the December 31, 2009 actuarial valuations. The Early Retirement rates were first used for the December 31, 2011 actuarial valuations.
Mortality	1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

Combining and Individual Fund Statements and Schedules

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020**

	Special Revenue						
	Historical Fund	Housing and Redevelopment	Revolving Loan	Downtown Facade Program	2018 Special Assessment	Parks/Recreation Sites	Historical Sites
ASSETS							
Cash and Investments	\$ 61,821	\$ 1,605	\$ 606,871	\$ 15,178	\$ --	\$ 125,934	\$ 114,870
Accounts Receivable	--	--	617,430	--	--	--	--
Special Assessments Receivable	--	--	--	--	500,877	--	--
Due from Other Governments	--	--	6,975	--	--	--	--
Other Assets	--	--	--	--	--	--	--
Due from Other Funds	3,610	--	--	--	--	--	--
Total Assets	\$ 65,431	\$ 1,605	\$ 1,231,276	\$ 15,178	\$ 500,877	\$ 125,934	\$ 114,870
LIABILITIES							
Accounts Payable	\$ 1,128	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Liabilities	950	1,532	--	--	--	--	--
Accrued Wages	342	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--	--
Total Liabilities	2,420	1,532	--	--	--	--	--
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	--	--	--	--	500,877	--	--
Total Liabilities and Deferred Inflows of Resources	2,420	1,532	--	--	500,877	--	--
FUND BALANCE							
Restricted	63,011	73	1,231,276	15,178	--	125,934	114,870
Assigned	--	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	63,011	73	1,231,276	15,178	--	125,934	114,870
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 65,431	\$ 1,605	\$ 1,231,276	\$ 15,178	\$ 500,877	\$ 125,934	\$ 114,870

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020**

	Special Revenue		Debt Service				
	2019 Special Assessment	2013 General Obligation Bonds	2010 General Obligation Bonds	2009 Special Assessment Limited Tax Bonds	2011 Special Assessment Limited Tax Bonds	2012 Special Assessment Limited Tax Bonds	2013 Special Assessment Limited Tax Bonds
ASSETS							
Cash and Investments	\$ --	\$ 30,624	\$ --	\$ --	\$ --	\$ --	\$ --
Accounts Receivable	--	--	--	--	--	--	--
Special Assessments Receivable	267,212	--	--	--	5,832	17,113	8,844
Due from Other Governments	--	--	--	--	--	--	--
Other Assets	--	--	--	--	--	--	--
Due from Other Funds	--	--	--	--	--	--	--
Total Assets	\$ 267,212	\$ 30,624	\$ --	\$ --	\$ 5,832	\$ 17,113	\$ 8,844
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Liabilities	--	--	--	--	--	--	--
Accrued Wages	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--	--
Total Liabilities	--	--	--	--	--	--	--
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	267,212	--	--	--	5,832	17,113	8,844
Total Liabilities and Deferred Inflows of Resources	267,212	--	--	--	5,832	17,113	8,844
FUND BALANCE							
Restricted	--	30,624	--	--	--	--	--
Assigned	--	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	--	30,624	--	--	--	--	--
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 267,212	\$ 30,624	\$ --	\$ --	\$ 5,832	\$ 17,113	\$ 8,844

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020**

	Debt Service		Capital Projects				Total Nonmajor Governmental Funds
	2016 Special Assessment Limited Tax Bonds	2009 Limited Tax General Obligation Bonds	Building Authority	DDA Construction Fund	Subdivision	Capital Projects	
ASSETS							
Cash and Investments	\$ --	\$ --	\$ 36,614	\$ 36,297	\$ --	\$ 231,016	\$ 1,260,830
Accounts Receivable	--	--	--	--	--	--	617,430
Special Assessments Receivable	31,560	--	--	--	--	--	831,438
Due from Other Governments	--	--	--	--	--	--	6,975
Other Assets	--	--	--	--	204,000	--	204,000
Due from Other Funds	--	--	--	--	--	--	3,610
Total Assets	\$ 31,560	\$ --	\$ 36,614	\$ 36,297	\$ 204,000	\$ 231,016	\$ 2,924,283
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 49,964	\$ 51,092
Accrued Liabilities	--	--	--	--	--	--	2,482
Accrued Wages	--	--	--	--	--	--	342
Due to Other Funds	--	--	--	--	120,814	--	120,814
Total Liabilities	--	--	--	--	120,814	49,964	174,730
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	31,560	--	--	--	--	--	831,438
Total Liabilities and Deferred Inflows of Resources	31,560	--	--	--	120,814	49,964	1,006,168
FUND BALANCE							
Restricted	--	--	--	--	--	--	1,580,966
Assigned	--	--	36,614	36,297	83,186	181,052	337,149
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	--	--	36,614	36,297	83,186	181,052	1,918,115
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 31,560	\$ --	\$ 36,614	\$ 36,297	\$ 204,000	\$ 231,016	\$ 2,924,283

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue						
	Historical Fund	Housing and Redevelopment	Revolving Loan	Downtown Facade Program	2018 Special Assessment	Parks/Recreation Sites	Historical Sites
Revenues							
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 125,168	\$ 125,168
Intergovernmental	--	--	--	177,235	--	--	--
Charges for Services	13,550	--	--	--	--	--	--
Sales	1,875	--	--	--	--	--	--
Interest	343	14	8,783	990	--	766	728
Miscellaneous	19,959	--	--	2,880	--	--	--
Total Revenues	35,727	14	8,783	181,105	--	125,934	125,896
Expenditures							
General Government	--	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--	--
Public Works	--	--	--	--	--	--	--
Community and Economic Development	--	--	51,177	351,225	--	--	--
Recreation and Culture	67,982	--	--	--	--	--	11,026
Debt Service - Principal	--	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--	--
Total Expenditures	67,982	--	51,177	351,225	--	--	11,026
Excess of Revenues Over (Under) Expenditures	(32,255)	14	(42,394)	(170,120)	--	125,934	114,870
Other Financing Sources (Uses)							
Transfers In	40,000	--	--	--	--	--	--
Transfers Out	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	40,000	--	--	--	--	--	--
Net Change in Fund Balance	7,745	14	(42,394)	(170,120)	--	125,934	114,870
<i>Fund Balance at Beginning of Period</i>	55,266	59	1,273,670	185,298	--	--	--
Fund Balance at End of Period	\$ 63,011	\$ 73	\$ 1,231,276	\$ 15,178	\$ --	\$ 125,934	\$ 114,870

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue			Debt Service			
	2019 Special Assessment	2013 General Obligation Bonds	2010 General Obligation Bonds	2009 Special Assessment Limited Tax Bonds	2011 Special Assessment Limited Tax Bonds	2012 Special Assessment Limited Tax Bonds	2013 Special Assessment Limited Tax Bonds
Revenues							
Property Taxes	\$ --	\$ 823,010	\$ 91,439	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	17,936	--	--	--	--	--
Charges for Services	--	--	--	--	--	--	--
Sales	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--
Total Revenues	--	840,946	91,439	--	--	--	--
Expenditures							
General Government	--	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--	--
Public Works	--	--	--	9	--	--	--
Community and Economic Development	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	--
Debt Service - Principal	--	405,000	60,000	--	--	--	--
Debt Service - Interest	--	406,106	31,453	--	--	--	--
Total Expenditures	--	811,106	91,453	9	--	--	--
Excess of Revenues Over (Under) Expenditures	--	29,840	(14)	(9)	--	--	--
Other Financing Sources (Uses)							
Transfers In	--	--	--	--	--	--	--
Transfers Out	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--
Net Change in Fund Balance	--	29,840	(14)	(9)	--	--	--
<i>Fund Balance at Beginning of Period</i>	--	784	14	9	--	--	--
Fund Balance at End of Period	\$ --	\$ 30,624	\$ --	\$ --	\$ --	\$ --	\$ --

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Debt Service		Capital Projects				Total Nonmajor Governmental Funds
	2016 Special Assessment Limited Tax Bonds	2009 Limited Tax General Obligation Bonds	Building Authority	DDA Construction Fund	Subdivision	Capital Projects	
Revenues							
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,164,785
Intergovernmental	--	76,023	--	--	--	--	271,194
Charges for Services	--	--	--	--	--	--	13,550
Sales	--	--	--	--	--	--	1,875
Interest	--	--	307	305	--	--	12,236
Miscellaneous	--	--	--	--	8,674	84,056	115,569
Total Revenues	--	76,023	307	305	8,674	84,056	1,579,209
Expenditures							
General Government	--	--	--	--	--	104,244	104,244
Public Safety	--	--	--	--	--	157,488	157,488
Public Works	--	--	--	--	--	--	9
Community and Economic Development	--	--	--	--	--	--	402,402
Recreation and Culture	--	--	--	--	--	--	79,008
Debt Service - Principal	--	45,000	--	--	--	--	510,000
Debt Service - Interest	--	31,023	--	--	--	--	468,582
Total Expenditures	--	76,023	--	--	--	261,732	1,721,733
Excess of Revenues Over (Under) Expenditures	--	--	307	305	8,674	(177,676)	(142,524)
Other Financing Sources (Uses)							
Transfers In	--	--	--	--	--	291,989	331,989
Transfers Out	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	291,989	331,989
Net Change in Fund Balance	--	--	307	305	8,674	114,313	189,465
<i>Fund Balance at Beginning of Period</i>	--	--	36,307	35,992	74,512	66,739	1,728,650
Fund Balance at End of Period	\$ --	\$ --	\$ 36,614	\$ 36,297	\$ 83,186	\$ 181,052	\$ 1,918,115

City of Owosso
Statement of Net Position and Governmental Fund Balance Sheet
Brownfield Redevelopment Authority Component Unit
June 30, 2020

	<u>Fund Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 83,375	\$ --	\$ 83,375
Inventories	65,700	--	65,700
Total Assets	<u>149,075</u>	<u>--</u>	<u>149,075</u>
LIABILITIES			
<i>Current Liabilities</i>			
Due to Other Governments	65,700	--	65,700
Current Portion of Long-term Debt	--	137,225	137,225
Total Current Liabilities	<u>65,700</u>	<u>137,225</u>	<u>202,925</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,704,282	1,704,282
Total Liabilities	<u>65,700</u>	<u>1,841,507</u>	<u>1,907,207</u>
NET POSITION			
<i>Unassigned fund balance / Unrestricted Net Position</i>	83,375	(1,841,507)	(1,758,132)
Total Fund Balance / Net Position	<u>\$ 83,375</u>	<u>\$ (1,841,507)</u>	<u>\$ (1,758,132)</u>

City of Owosso
Statement of Activities and Governmental Fund Statement of
Revenues, Expenditures, and Change in Fund Balance
Brownfield Redevelopment Authority Component Unit
For the Year Ended June 30, 2020

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Expenses			
Brownfield Redevelopment Authority	\$ 268,672	\$ --	\$ 268,672
Debt Service	105,016	(105,016)	--
Total Expenses	373,688	(105,016)	268,672
Program Revenues			
Operating Grants and Contributions	4,633	--	4,633
Total Program Revenues	4,633	--	4,633
Net Program Revenues (Expenses)	(369,055)	105,016	(264,039)
General Revenue			
Investment Income	61	--	61
Property Taxes	398,726	--	398,726
Total General Revenues	398,787	--	398,787
Change in Net Position	29,732	105,016	134,748
<i>Net Position at Beginning of Period</i>	53,643	--	(1,892,880)
Net Position at End of Period	\$ 83,375	\$ --	\$ (1,758,132)



CITY OF OWOSSO

SHIAWASSEE COUNTY, MICHIGAN

SINGLE AUDIT ACT COMPLIANCE

YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Owosso
Owosso, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of City of Owosso, Michigan (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 11, 2020, 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 purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Gabridge & Company, PLC
Grand Rapids, MI
November 11, 2020

City of Owosso
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

<i>Federal Agency / Cluster / Program Title</i>	<i>Federal CFDA Number</i>	<i>Passed Through</i>	<i>Pass-through / Grantor Number</i>	<i>Federal Expenditures</i>
U.S. Department of Environmental Protection Agency				
Capitalization Grants for Clean Water State Revolving Funds	66.458	Michigan Department of Environmental Quality	5699-01	\$ 45,507
Capitalization Grants for Clean Water State Revolving Funds	66.458	Michigan Department of Environmental Quality	5691-01	54,429
Capitalization Grants for Drinking Water State Revolving Funds	66.468	Michigan Department of Environmental Quality	7457-01	762,619
Total U.S. Department of Environmental Protection Agency				<u>862,555</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant Program	14.228	Michigan Economic Development Corporation	MSC 217014-CDF	177,235
Total U.S. Department of Housing and Urban Development				<u>177,235</u>
U.S. Department of Health and Human Services				
Cares Act Provider Relief Fund	93.498	Direct	n/a	23,571
Total U.S. Department of Health and Human Services				<u>23,571</u>
U.S. Department of Justice				
Bulletproof Vest Partnership Program	16.607	Direct	n/a	1,950
Total U.S. Department of Justice				<u>1,950</u>
Total Expenditures of Federal Awards				<u>\$ 1,065,311</u>

See notes to the schedule of expenditures of federal awards

City of Owosso

Notes to the 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 the City of Owosso (the "City") under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

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

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

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

The following schedule reconciles total expenditures of federal awards from the Schedule to the financial statements:

Intergovernmental revenues reported in the governmental fund financial statements:	\$ 4,273,799
Subtract: state and local sources	(4,071,043)
Add: bond proceeds	862,555
<i>Total expenditures of federal awards:</i>	<u>\$ 1,065,311</u>

Note 4 - Outstanding Bonds Payable

The City has outstanding loans under the U.S. Department of Environmental Protection Agency revolving loan funds totaling \$1,254,341 at June 30, 2020.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Owosso
Owosso, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Owosso (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 11, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

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

Gabridge & Company, PLC
Grand Rapids, MI
November 11, 2020

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

To the City Council
City of Owosso
Owosso, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of Owosso (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's 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 the City's 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 the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the City 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 the City's 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 the City's 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 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.

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.



Gabridge & Company, PLC
Grand Rapids, MI
November 11, 2020

City of Owosso
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No (none reported)
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS
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No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
--

No findings or questioned costs.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No prior audit findings were reported.

November 11, 2020

To the City Council
City of Owosso
Owosso, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan (the “City”) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension plans are based on historical trends and industry standards.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 11, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Restriction on Use

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

Very truly yours,

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

Gabridge & Company, PLC
Grand Rapids, MI