

City of Owosso,
Michigan



Year Ended
June 30, 2013

Financial
Statements and
Supplemental
Information

CITY OF OWOSSO

ELECTED OFFICERS

For the Year Ended June 30, 2013

ADMINISTRATION

CITY MANAGER

DONALD CRAWFORD

CITY COUNCIL

MAYOR

BENJAMIN FREDERICK

MAYOR PRO-TEM

CHRISTOPHER EVELETH

COUNCIL MEMBER

LOREEN BAILEY

COUNCIL MEMBER

DAVID BANDKAU

COUNCIL MEMBER

BURTON FOX

COUNCIL MEMBER

JOHN GREENWAY

COUNCIL MEMBER

ROBERT TEICH JR

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CITY OF OWOSSO

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INDEPENDENT AUDITORS' REPORT

December 12, 2013

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously 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, Michigan as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity 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 and the schedules of funding progress and employer contributions for the pension plan 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 fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF OWOSSO

Management's Discussion and Analysis

The City of Owosso's annual report has been prepared in compliance with Governmental Accounting Standard Board's (GASB) Statement No. 34 and consists of management's discussion and analysis, government-wide financial statements, fund financial statements, notes to the financial statements and required supplemental information, and other supplemental information. 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 total net position for the City of Owosso is \$58,281,946. Of this amount, \$9,308,927 is unrestricted and available for any City activity. The net position increased \$253,703 from fiscal year 2012.
- Combined Program and General Revenue for the Primary Government activities amounted to \$13,622,768. Expenses of \$13,369,065 were below revenues by \$253,703.
- The combined fund balance at June 30, 2013 for the City's governmental funds was \$5,987,710. This was a decrease of \$543,233 from fiscal year 2012.
- General Fund expenditures exceeded revenues by \$199,254, causing the General Fund's fund balance to decrease accordingly.

CITY OF OWOSSO

Management's Discussion and Analysis

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 information on all of the City's assets and liabilities, with the difference between the two 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 government'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 in this statement 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 culture.

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 street fund focus on the financing of these areas in the short term and what remains for future spending.
- Water and sewer 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 final sections include information regarding the City of Owosso. The required supplemental information would include such items as the City of Owosso's progress in funding its pension obligations and demographic information. In addition, the City has also provided discretionary information about the City that should further enhance the understanding of its operations.

CITY OF OWOSSO

Management's Discussion and Analysis

Government-Wide Financial Analysis

As mentioned earlier, net position provide useful benchmarks in determining overall financial position. The City of Owosso's combined net position is \$58,281,946. This compares to last year's total of \$58,028,243 which was an increase of \$253,703.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 9,031,188	\$ 9,321,475	\$ 7,343,658	\$ 6,547,660	\$ 16,374,846	\$ 15,869,135
Capital assets, net	36,148,714	36,649,741	13,712,351	14,107,993	49,861,065	50,757,734
Total assets	45,179,902	45,971,216	21,056,009	20,655,653	66,235,911	66,626,869
Other liabilities	621,590	655,206	247,654	212,530	869,244	867,736
Long-term liabilities	2,558,863	2,939,216	4,525,858	4,791,674	7,084,721	7,730,890
Total liabilities	3,180,453	3,594,422	4,773,512	5,004,204	7,953,965	8,598,626
Net position:						
Net investment in capital assets	34,115,914	34,497,287	9,320,565	9,516,207	43,436,479	44,013,494
Restricted for:						
Improvement and						
Replacement fund	-	-	3,288,566	2,193,093	3,288,566	2,193,093
Revenue bond reserve	-	-	350,000	350,000	350,000	350,000
Specific purpose	3,157,155	1,089,121	-	-	3,157,155	1,089,121
Debt service	52,465	490,389	-	-	52,465	490,389
Capital projects	884,507	1,327,026	-	-	884,507	1,327,026
Unrestricted	3,789,408	4,972,971	3,323,366	3,592,149	7,112,774	8,565,120
Total net position	\$ 41,999,449	\$ 42,376,794	\$ 16,282,497	\$ 15,651,449	\$ 58,281,946	\$ 58,028,243

Further review of the assets indicates that they are divided into three parts. The largest part, 75%, is the investment in capital assets (land, buildings, machinery and equipment) which cannot be readily liquidated or available for future spending. The second part is restricted assets, which can be used strictly for certain purposes. Finally, the last part is unrestricted assets which can be used for ongoing obligations or new activities.

Governmental Activities

Governmental activities are described in detail below. The City of Owosso's fiscal year 2013 experienced a decrease in net position of \$377,345.

The decrease in net position was caused by reduction of state shared revenues, purchase of property to expand city boundaries, increased building maintenance and increased pension contributions.

The City of Owosso received capital and operating grant funds in the amount of \$388,523 and gas and weight tax contributions of \$1,059,091. These account for the items under "grants and contributions" for the Governmental Activities.

In 2013, governmental activities revenues increased by \$110,586. All primary governmental activities expenses decreased in whole by \$30,296 due to a decline in grant funded capital replacements.

CITY OF OWOSSO

Management's Discussion and Analysis

In 2013, business activity revenues increased by \$431,622. The Water Fund incurred above normal expenses related to water main failures, while other utility funds reduced operational expenses year over year.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 1,192,090	\$ 1,040,170	\$ 5,519,126	\$ 5,097,271	\$ 6,711,216	\$ 6,137,441
Operating grants and Contributions	1,147,573	1,118,767	-	-	1,147,573	1,118,767
Capital grants and Contributions	300,851	338,035	-	-	300,851	338,035
General revenues:						
Property taxes	3,495,681	3,455,115	58,956	49,534	3,554,637	3,504,649
State shared revenues	1,483,716	1,577,981	-	-	1,483,716	1,577,981
Other	413,168	392,425	11,607	11,262	424,775	403,687
Total revenues	8,033,079	7,922,493	5,589,689	5,158,067	13,622,768	13,080,560
Expenses:						
General government	1,353,714	1,386,696	-	-	1,353,714	1,386,696
Public safety	3,503,932	3,574,274	-	-	3,503,932	3,574,274
Public works	2,567,372	2,705,196	-	-	2,567,372	2,705,196
Community and economic development	618,185	433,653	-	-	618,185	433,653
Recreation and culture	367,221	340,901	-	-	367,221	340,901
Water	-	-	2,034,540	1,981,528	2,034,540	1,981,528
Sewer	-	-	1,322,993	1,361,678	1,322,993	1,361,678
Wastewater	-	-	1,542,139	1,595,373	1,542,139	1,595,373
Transportation	-	-	58,969	49,540	58,969	49,540
Total expenses	8,410,424	8,440,720	4,958,641	4,988,119	13,369,065	13,428,839
Change in net position	(377,345)	(518,227)	631,048	169,948	253,703	(348,279)
Net position:						
Beginning of year	42,376,794	42,895,021	15,651,449	15,481,501	58,028,243	58,376,522
End of year	\$ 41,999,449	\$ 42,376,794	\$ 16,282,497	\$ 15,651,449	\$ 58,281,946	\$ 58,028,243

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, unreserved 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 \$5,987,710 or 71% of annual operating expenditures. More detail on available, spendable balances can be found in footnote 17.

CITY OF OWOSSO

Management's Discussion and Analysis

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance is \$3,402,203. The General Fund fund balance decreased by \$207,166 due to employee buyouts of accrued sick in the Fire Department, purchase of property, major repairs to the Library and an accelerated playscape build out.

The Major Streets fund balance increased from \$87,321 to \$218,623. The increase is attributable to pre-payment of special assessment installments which will be reserved for future obligations. The Major Street fund is a major fund for accounting purposes and is presented separately in the basic financial statements.

The Local Streets fund balance increased from \$233 to \$680. The increase is attributable to balanced budgeting of capital projects. The Local Street fund is a major fund for accounting purposes and is presented separately in the basic financial statements.

The non-major funds include Special Revenue Funds and have a total fund balance of \$2,366,204. This was a decrease in fund balance over the previous year of \$423,825. The decrease represents a drawdown of bond proceeds in the Capital Projects Funds to pay for street improvements.

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

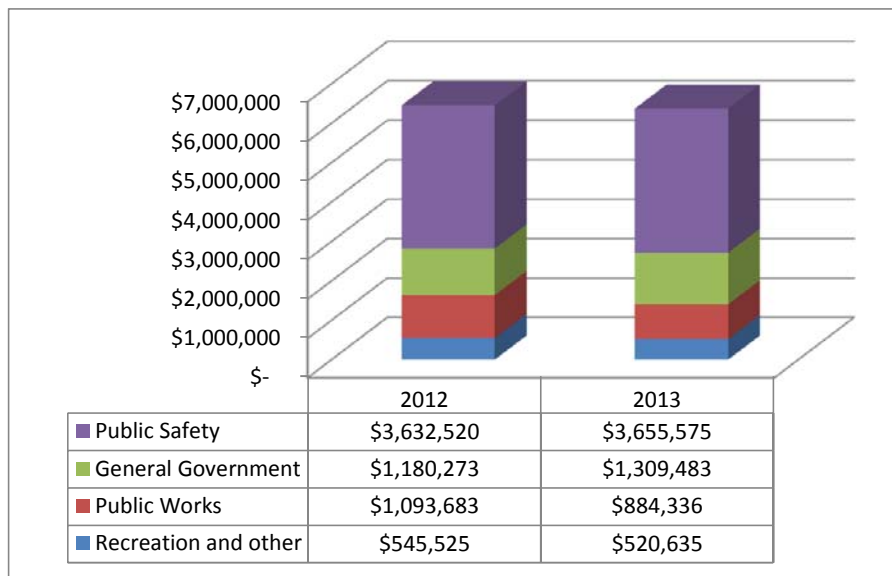
The proprietary funds of the City of Owosso are comprised of the water, sewer, wastewater and transportation funds. Similar types of information are found here as compared to the government-wide statements but with more detail. The Water Fund's net position increased by \$458,858 to \$7,634,884. The Sewer Fund's net position increased \$219,754, to \$3,498,081. The Wastewater Fund's net position decreased \$47,551 to \$5,149,469. The decrease in the Wastewater Fund net position reflects board action of the four governmental members to not fully fund depreciation expense.

CITY OF OWOSSO

Management's Discussion and Analysis

General Fund Budgetary Highlights

The General Fund accounts for public safety, public works, community development, recreation and administrative functions of the City government. The budget is monitored closely, and during the annual budget process, the City completes an extensive review of the current year budget, culminating in amendments to appropriate revised revenue and expenditure estimates. As a result of careful monitoring throughout the year, a practice and a history of conservative budgeting, and cost containment measures, differences between the original and final amended budgets for revenues and expenditures were relatively minor. Budget to actual results for the year were also relatively minor. Public Safety expenditures increased due to buyouts of accrued sick. General government expenditures were higher due to the purchase of a thirty six acre farmstead adjoining the southern city boundary.



Capital Asset and Debt Administration

At June 30, 2013, the City of Owosso's investment in capital assets for the governmental and business-type activities amounted to \$43,436,479 (net of depreciation and related debt). The investment in capital assets covers a broad variety of land, buildings, machinery, equipment, roads, highways, and bridges. The investment in capital assets decreased \$896,669 due to value adjustments for street improvements completed in the current year, originally constructed prior to 1980 and underground utility replacements not keeping pace with depreciation. Please see the Capital Assets footnote for further detail.

Additional information regarding the City's capital assets can be found in note 8.

CITY OF OWOSSO

Management's Discussion and Analysis

Long-Term Debt

At June 30, 2013, the City had \$2,558,863 in bonds and obligations outstanding and compensated absences for governmental activities and \$4,525,858 in bonds outstanding and compensated absences for business-type activities. A debt refunding and new phone installment purchase occurred during the year. Governmental activities long-term debt and obligations decreased \$308,353 while business-type activities long-term debt decreased \$265,816.

Additional information regarding the City's long-term debt can be found in Note 9 this report.

Economic Factors and Next Year's Budget and Rates

Tax revenues are expected to begin stabilizing in FY 2013-14. Statutory revenue sharing from State sales tax is subject to legislative appropriation and projected flat in the coming year. Further budgetary pressures are expected as state legislation to reduce and phase out personal property taxes, which comprise 11% of our tax base has passed and awaiting voter approval in August 2014 for full integration. An installment purchase agreement for a new phone system was issued for \$123,465, payable over 5 years. The 2002 water reserve bonds were refunded for an economic savings of \$366,136.

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF OWOSSO

Statement of Net Position

June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 6,533,769	\$ 3,049,683	\$ 9,583,452	\$ 61,727
Receivables, net	2,023,652	1,208,034	3,231,686	158,278
Internal balances	(108,298)	108,298	-	-
Inventories	331,670	167,318	498,988	89,812
Restricted cash and investments	250,395	2,810,325	3,060,720	-
Capital assets not being depreciated	4,642,117	804,234	5,446,351	-
Capital assets being depreciated, net	31,506,597	12,908,117	44,414,714	-
Total assets	45,179,902	21,056,009	66,235,911	309,817
Liabilities				
Accounts payable	498,113	76,802	574,915	43,185
Accrued and other liabilities	123,477	170,852	294,329	108,813
Long-term liabilities:				
Due within one year	227,730	323,518	551,248	7,945
Due in more than one year	2,331,133	4,202,340	6,533,473	184,570
Total liabilities	3,180,453	4,773,512	7,953,965	344,513
Net position				
Net investment in capital assets	34,115,914	9,320,565	43,436,479	
Restricted for:				
Capital projects	884,507	-	884,507	-
Debt service	52,465	-	52,465	-
Specific purpose	3,157,155	-	3,157,155	-
Revenue bond reserve	-	350,000	350,000	-
Improvement and replacement	-	3,288,566	3,288,566	-
Unrestricted	3,789,408	3,323,366	7,112,774	(34,696)
Total net position (deficit)	\$ 41,999,449	\$ 16,282,497	\$ 58,281,946	\$ (34,696)

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Statement of Activities

For the Year Ended June 30, 2013

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,273,941	\$ 188,406	\$ 75,010	\$ -	\$ (1,010,525)
Public safety	3,503,932	660,136	-	74,216	(2,769,580)
Public works	2,567,372	191,898	1,059,901	3,800	(1,311,773)
Community and economic development	618,185	133,224	525	222,835	(261,601)
Recreation and culture	367,221	18,426	12,137	-	(336,658)
Interest on debt	79,773	-	-	-	(79,773)
Total governmental activities	8,410,424	1,192,090	1,147,573	300,851	(5,769,910)
Business-type activities:					
Water	2,034,540	2,491,902	-	-	457,362
Sewer	1,322,993	1,537,459	-	-	214,466
Wastewater	1,542,139	1,489,765	-	-	(52,374)
Shiawassee Area Transportation Authority	58,969	-	-	-	(58,969)
Total business-type activities	4,958,641	5,519,126	-	-	560,485
Total primary government	\$ 13,369,065	\$ 6,711,216	\$ 1,147,573	\$ 300,851	\$ (5,209,425)
Component units					
Downtown Development Authority	\$ 201,728	\$ -	\$ -	\$ -	\$ (201,728)
Brownfield Redevelopment Authority	37,214	-	8,157	-	(29,057)
Total component units	\$ 238,942	\$ -	\$ 8,157	\$ -	\$ (230,785)

continued...

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Statement of Activities (Continued) For the Year Ended June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (5,769,910)	\$ 560,485	\$ (5,209,425)	\$ (230,785)
General revenues:				
Property taxes	3,495,681	58,956	3,554,637	234,334
Grants and contributions not restricted to specific programs	1,483,716	-	1,483,716	-
Unrestricted investment earnings	20,640	11,607	32,247	48
Miscellaneous revenue	392,528	-	392,528	32,855
Total general revenues and transfers	5,392,565	70,563	5,463,128	267,237
Change in net position	(377,345)	631,048	253,703	36,452
Net position (deficit), beginning of year	42,376,794	15,651,449	58,028,243	(71,148)
Net position (deficit), end of year	\$ 41,999,449	\$ 16,282,497	\$ 58,281,946	\$ (34,696)

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Balance Sheet

Governmental Funds

June 30, 2013

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 5,413,739	\$ -	\$ -	\$ 1,120,030	\$ 6,533,769
Receivables, net:					
Accounts	650,892	118,637	43,196	690,203	1,502,928
Delinquent taxes	17,970	-	-	-	17,970
Special assessments	-	-	-	382,851	382,851
Accrued interest	-	-	-	440	440
Due from other funds	353,138	166,219	64,986	722,664	1,307,007
Due from other governments	108,588	-	-	10,875	119,463
Inventories	87,670	-	-	-	87,670
Land held for sale	-	-	-	244,000	244,000
Total assets	\$ 6,631,997	\$ 284,856	\$ 108,182	\$ 3,171,063	\$ 10,196,098
Liabilities					
Accounts payable	\$ 190,187	\$ 20,003	\$ 51,369	\$ 39,505	\$ 301,064
Accrued liabilities	33,925	-	-	11,745	45,670
Accrued wages	73,039	1,162	1,351	1,360	76,912
Due to other funds	2,530,411	45,068	54,782	353,138	2,983,399
Due to other governmental units	73,246	-	-	1,260	74,506
Total liabilities	2,900,808	66,233	107,502	407,008	3,481,551
Deferred inflows of resources					
Unavailable revenue - special assessments	-	-	-	382,851	382,851
Unavailable revenue - other	328,986	-	-	15,000	343,986
Total deferred inflows of resources	328,986	-	-	397,851	726,837
Fund balances					
Nonspendable:					
Inventories	87,670	-	-	-	87,670
Restricted	-	63,325	680	1,481,697	1,545,702
Committed	1,576,928	-	-	-	1,576,928
Assigned	1,141,260	155,298	-	884,507	2,181,065
Unassigned	596,345	-	-	-	596,345
Total fund balances	3,402,203	218,623	680	2,366,204	5,987,710
Total liabilities, deferred inflows of resources and fund balances	\$ 6,631,997	\$ 284,856	\$ 108,182	\$ 3,171,063	\$ 10,196,098

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Reconciliation

Fund Balances for Governmental Funds
to Net Position of Governmental Activities
June 30, 2013

Fund balances - total governmental funds	\$ 5,987,710
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Assets held on deposit with the MMRMA for self insurance are not financial resources, and therefore are not reported in the fund statement.	250,395
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	4,642,117
Capital assets being depreciated, net	30,960,453
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.	
Deferred special assessments receivable	382,851
Deferred other receivables	343,986
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.	
Net position of governmental activities accounted for in internal service funds	2,100,546
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Accrued interest on long-term debt	(14,471)
Bonds payable	(1,765,000)
Installment purchases	(267,800)
Landfill remediation liability	(148,772)
Self insurance liability	(103,322)
Compensated absences and early retirement	(369,244)
Net position of governmental activities	<u>\$ 41,999,449</u>

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Statement of Revenue, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2013

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 3,384,781	\$ -	\$ -	\$ 110,900	\$ 3,495,681
Licenses and permits	133,224	-	-	-	133,224
Intergovernmental	1,549,940	786,668	273,233	302,558	2,912,399
Charges for services	815,733	-	-	48,919	864,652
Special assessments	-	-	103,029	-	103,029
Interest revenue	16,020	-	-	4,621	20,641
Miscellaneous revenues	271,077	92,464	-	29,142	392,683
Total revenue	6,170,775	879,132	376,262	496,140	7,922,309
Expenditures					
Current:					
General government	1,309,483	-	-	371,515	1,680,998
Public safety	3,655,575	-	-	-	3,655,575
Public works	884,336	592,167	913,093	79,606	2,469,202
Community and economic development	267,118	-	-	8,759	275,877
Parks and recreation	253,517	-	-	-	253,517
Debt service:					
Principal	-	-	-	50,000	50,000
Interest and fiscal charges	-	-	-	80,373	80,373
Total expenditures	6,370,029	592,167	913,093	590,253	8,465,542
Revenues over (under) expenditures	(199,254)	286,965	(536,831)	(94,113)	(543,233)
Other financing sources (uses)					
Transfers in	22,340	102,412	537,278	560,212	1,222,242
Transfers out	(30,252)	(302,056)	-	(889,934)	(1,222,242)
Total other financing sources (uses)	(7,912)	(199,644)	537,278	(329,722)	-
Net change in fund balances	(207,166)	87,321	447	(423,835)	(543,233)
Fund balances, beginning of year	3,609,369	131,302	233	2,790,039	6,530,943
Fund balances, end of year	\$ 3,402,203	\$ 218,623	\$ 680	\$ 2,366,204	\$ 5,987,710

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Reconciliation

Net Changes in Fund Balance of Governmental Funds
to Change in Net Position of Governmental Activities
For the Year Ended June 30, 2013

Net change in fund balances - total governmental funds \$ (543,233)

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

Change in net position held with an agent for self-insurance. (4,912)

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.

Capital outlay	1,139,391
Loss on sale of capital assets	(270,325)
Depreciation expense	(1,307,492)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Current year change in long-term receivables	96,605
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term liabilities	50,000
Principal payments on installment purchases	193,119
Proceeds from installment purchase agreement	(123,465)

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

Change in accrual for compensated absences and early retirement incentive	100,107
Change in other postemployment benefits liability	149,766
Change in accrued interest payable on long-term debt	685

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Operating income (loss) from governmental activities in internal service funds	<u>142,409</u>
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Change in net position of governmental activities \$ (377,345)

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Property taxes	\$ 3,388,450	\$ 3,384,750	\$ 3,384,781	\$ 31
Other local sources	880,675	965,750	964,977	(773)
State and federal sources	1,529,150	1,828,300	1,821,017	(7,283)
Total revenue	5,798,275	6,178,800	6,170,775	(8,025)
Expenditures				
Current:				
General government	1,138,800	1,351,075	1,309,483	(41,592)
Public safety	3,286,200	3,695,850	3,655,575	(40,275)
Public works	875,125	897,000	884,336	(12,664)
Community and economic development	291,925	280,925	267,118	(13,807)
Parks and recreation	191,800	285,750	253,517	(32,233)
Total expenditures	5,783,850	6,510,600	6,370,029	(140,571)
Revenue over (under) expenditures	14,425	(331,800)	(199,254)	132,546
Other financing sources (uses)				
Transfer in	-	22,500	22,340	(160)
Transfer out	(14,425)	(34,450)	(30,252)	4,198
Total other financing uses	(14,425)	(11,950)	(7,912)	4,038
Net change in fund balance	-	(343,750)	(207,166)	136,584
Fund balance, beginning of year	3,609,369	3,609,369	3,609,369	-
Fund balance, end of year	\$ 3,609,369	\$ 3,265,619	\$ 3,402,203	\$ -

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Major Streets Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
State	\$ 772,700	\$ 776,250	\$ 786,668	\$ 10,418
Other	158,050	88,250	92,464	4,214
Total revenue	930,750	864,500	879,132	14,632
Expenditures				
Public works	645,500	674,275	592,167	(82,108)
Revenue over (under) expenditures	285,250	190,225	286,965	96,740
Other financing sources (uses)				
Transfer in	-	113,825	102,412	(11,413)
Transfer out	(285,250)	(304,050)	(302,056)	1,994
Total other financing sources (uses)	(285,250)	(190,225)	(199,644)	(9,419)
Net change in fund balances	-	-	87,321	87,321
Fund balances, beginning of year	131,302	131,302	131,302	-
Fund balances, end of year	\$ 131,302	\$ 131,302	\$ 218,623	\$ 87,321

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Local Streets Fund

For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
State	\$ 268,700	\$ 270,350	\$ 273,233	\$ 2,883
Other	89,725	102,625	103,029	404
Total revenue	358,425	372,975	376,262	3,287
Expenditures				
Public works	908,125	913,100	913,093	(7)
Revenue over (under) expenditures	(549,700)	(540,125)	(536,831)	3,294
Other financing sources				
Transfer in	549,700	540,125	537,278	(2,847)
Net change in fund balances	-	-	447	447
Fund balances, beginning of year	233	233	233	-
Fund balances, end of year	\$ 233	\$ 233	\$ 680	\$ 447

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Statement of Net Position
 Proprietary Funds
 June 30, 2013

	Enterprise Funds					Governmental Activities
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Funds	Total	Internal Service Fund
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,099,934	\$ 1,612,156	\$ 337,593	\$ -	\$ 3,049,683	\$ -
Receivables, net:						
Accounts	739,279	468,692	-	63	1,208,034	-
Due from other funds	76,879	73,781	-	-	150,660	1,568,094
Inventories	167,318	-	-	-	167,318	-
Total current assets	2,083,410	2,154,629	337,593	63	4,575,695	1,568,094
Noncurrent assets:						
Other assets:						
Restricted cash	350,000	-	2,460,325	-	2,810,325	-
Capital assets:						
Land	545,934	258,300	-	-	804,234	-
Buildings	6,985,985	-	6,253,951	-	13,239,936	-
Improvements other than buildings	8,430,092	2,394,651	-	-	10,824,743	-
Vehicles	13,792	-	-	-	13,792	1,977,152
Machinery and equipment	459,065	-	9,807,787	-	10,266,852	1,183,077
Total capital assets	16,434,868	2,652,951	16,061,738	-	35,149,557	3,160,229
Less: accumulated depreciation	7,233,291	638,753	13,565,162	-	21,437,206	2,614,085
Net capital assets	9,201,577	2,014,198	2,496,576	-	13,712,351	546,144
Total noncurrent assets	9,551,577	2,014,198	4,956,901	-	16,522,676	546,144
Total assets	11,634,987	4,168,827	5,294,494	63	21,098,371	2,114,238

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	Enterprise Funds					Governmental Activities
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Funds	Total	Internal Service Fund
Liabilities						
Current liabilities:						
Accounts payable	\$ 44,954	\$ 796	\$ 27,010	\$ -	\$ 72,760	\$ 4,750
Accrued liabilities	132,212	16	-	-	132,228	-
Accrued wages	9,457	1,887	9,120	-	20,464	895
Due to other funds	6,157	-	36,205	-	42,362	-
Accrued Interest	18,160	4,042	-	-	22,202	-
Accrued compensated absences - current	11,041	4,305	18,173	-	33,518	2,012
Notes payable - current	-	35,000	-	-	35,000	-
Bonds payable - current	255,000	-	-	-	255,000	-
Total current liabilities	476,981	46,046	90,508	-	613,534	7,657
Long-term liabilities:						
Accrued compensated absences	33,122	12,914	54,518	-	100,554	6,035
Notes payable	-	611,786	-	-	611,786	-
Bonds payable	3,490,000	-	-	-	3,490,000	-
Total long-term liabilities	3,523,122	624,700	54,518	-	4,202,340	6,035
Total liabilities	4,000,103	670,746	145,025	-	4,815,874	13,692
Net Position						
Net investment in capital assets	5,456,577	1,367,412	2,496,576	-	9,320,565	546,144
Restricted for:						
Improvement fund	-	-	680,495	-	680,495	-
Replacement fund	828,241	-	1,779,830	-	2,608,071	-
Debt service	350,000	-	-	-	350,000	-
Unrestricted	1,000,066	2,130,669	192,568	63	3,323,366	1,554,402
Total net position	\$ 7,634,884	\$ 3,498,081	\$ 5,149,469	\$ 63	\$ 16,282,497	\$ 2,100,546

concluded

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Statement of Revenue, Expenses and Changes in Net Position

Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds				Total	Governmental
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Fund		Internal Service Fund
Operating revenue						
Sale of water	\$ 2,396,027	\$ -	\$ -	\$ -	\$ 2,396,027	\$ -
Sewage disposal charges	-	1,510,158	-	-	1,510,158	-
Property taxes	-	-	-	58,956	58,956	-
Other charges for services	-	-	1,356,000	-	1,356,000	484,187
Total operating revenue	2,396,027	1,510,158	1,356,000	58,956	5,321,141	484,187
Operating expenses						
Personnel services	650,271	122,682	530,400	-	1,303,353	116,916
Administrative and engineering services	200,000	40,000	162,989	-	402,989	28,000
Contractual and professional services	101,283	23,956	30,797	58,969	215,005	-
Supplies and chemicals	166,654	4,832	102,053	-	273,539	40,875
Utilities	148,976	2,651	241,215	-	392,842	-
Insurance	45,083	9,788	45,004	-	99,875	21,086
Maintenance	304,938	17,774	135,741	-	458,453	56,900
Plant charges	-	1,036,468	-	-	1,036,468	-
Depreciation	287,483	47,976	201,143	-	536,602	78,001
Total operating expenses	1,904,688	1,306,127	1,449,342	58,969	4,719,126	341,778
Operating income (loss)	491,339	204,031	(93,342)	(13)	602,015	142,409
Nonoperating revenue (expenses)						
Investment income	1,496	5,288	4,823	-	11,607	-
Rent income	15,984	-	-	-	15,984	-
Equipment replacement cost	-	-	126,000	-	126,000	-
Reimbursement and miscellaneous income	52,626	26,921	-	-	79,547	-
Permits	23,251	380	-	-	23,631	-
Miscellaneous	1,975	(134)	7,765	-	9,606	-
Replacement expense	-	-	(92,797)	-	(92,797)	-
Interest expense	(127,813)	(16,732)	-	-	(144,545)	-
Total nonoperating revenue (expense)	(32,481)	15,723	45,791	-	29,033	-
Change in net position	458,858	219,754	(47,551)	(13)	631,048	142,409
Net position, beginning of year	7,176,026	3,278,327	5,197,020	76	15,651,449	1,958,137
Net position, end of year	<u>\$ 7,634,884</u>	<u>\$ 3,498,081</u>	<u>\$ 5,149,469</u>	<u>\$ 63</u>	<u>\$ 16,282,497</u>	<u>\$ 2,100,546</u>

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2013

	Enterprise Funds				Governmental	
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities						
Cash received from customers and users	\$ 2,304,542	\$ 1,522,949	\$ 1,356,000	\$ 58,969	\$ 5,242,460	\$ 292,922
Cash payments to suppliers for goods and services	(766,063)	(1,095,657)	(539,011)	(58,969)	(2,459,700)	(127,856)
Cash payments to employees for services	(877,130)	(178,990)	(712,140)	-	(1,768,260)	(149,666)
Cash receipts (payments) for internal services provided	33,585	(275,720)	454,182	-	212,047	-
Net cash provided (used) by operating activities	694,934	(27,418)	559,031	-	1,226,547	15,400
Cash flows from capital and related financing activities						
Purchase of capital assets	(140,960)	-	-	-	(140,960)	(15,400)
Proceeds from debt issuance	3,800,000	-	-	-	3,800,000	-
Debt service and replacement charges	-	-	33,203	-	33,203	-
Principal paid on debt	(3,970,000)	(30,000)	-	-	(4,000,000)	-
Other non-operating receipts	93,836	27,167	7,765	-	128,768	-
Interest paid on debt	(127,813)	(16,732)	-	-	(144,545)	-
Net cash provided (used) by capital and related financing activities	(344,937)	(19,565)	40,968	-	(323,534)	(15,400)
Cash flows from investing activities						
Interest received on investments	1,496	5,288	4,823	-	11,607	-
Net increase (decrease) in cash and cash equivalents	351,493	(41,695)	604,822	-	914,620	-
Cash and cash equivalents, beginning of year	1,098,441	1,653,851	2,193,096	-	4,945,388	-
Cash and cash equivalents, end of year	\$ 1,449,934	\$ 1,612,156	\$ 2,797,918	\$ -	\$ 5,860,008	\$ -
						continued...
Cash flows from operating activities						
Operating income (loss)	\$ 491,339	\$ 204,031	\$ (93,342)	\$ (13)	\$ 602,015	\$ 142,409
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	287,483	47,976	201,143	-	536,602	78,001
Change in:						
Accounts receivable	(91,485)	12,791	-	13	(78,681)	-
Due from other funds	27,428	(51,736)	420,759	-	396,451	(191,265)
Inventories	(26,447)	-	-	-	(26,447)	-
Prepaid expenses	11,705	-	-	-	11,705	-
Accounts payable	5,952	(5,286)	15,799	-	16,465	(2,081)
Accrued liabilities	7,650	49	1,487	-	9,186	(838)
Due to other funds	6,157	(223,984)	33,423	-	(184,404)	-
Interest payable	9,661	(188)	-	-	9,473	-
Accrued compensated absences	(11,096)	339	6,931	-	(3,826)	(10,826)
Net OPEB obligation	(23,413)	(11,410)	(27,169)	-	(61,992)	-
Net cash provided by (used in) operating activities	\$ 694,934	\$ (27,418)	\$ 559,031	\$ -	\$ 1,226,547	\$ 15,400

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Pension Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 901,197	\$ 5,154
Cash held by ICMA	116,203	-
Investments, at fair value:		
Money market accounts	507,554	-
Stocks	17,677,501	-
Corporate bonds	11,415,011	-
Accounts receivable	-	73
Interest receivable	90,838	-
Total assets	<u>30,708,304</u>	<u>\$ 5,227</u>
Liabilities		
Accounts payable	163,586	5,164
Due to other governments	-	63
Total liabilities	<u>163,586</u>	<u>\$ 5,227</u>
Net position		
Held in trust for employees' pension benefits	<u>\$ 30,544,718</u>	

The accompanying notes 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 June 30, 2013

Additions

Contributions:

Employer	\$ 829,038
Plan members	248,798

Total contributions 1,077,836

Investment income:

Interest and dividends	703,438
Net appreciation in fair value of investments	2,694,064

Net investment income 3,397,502

Total additions 4,475,338

Deductions

Benefit payments	2,088,081
Refunds of contributions	24,826
Administrative expenses	166,264

Total deductions 2,279,171

Change in net position 2,196,167

Net position held in trust for pension benefits, beginning of year 28,348,551

Net position, end of year \$ 30,544,718

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Combining Statement of Net Position

Discretely Presented Component Units

June 30, 2013

	Downtown Development Authority	Brownfield Redevelopment Authority	Totals
Assets			
Cash and cash equivalents	\$ 61,727	\$ -	\$ 61,727
Receivables:			
Accounts	110,000	-	110,000
Due from other governments	-	48,278	48,278
Inventory	-	89,812	89,812
Total assets	171,727	138,090	309,817
Liabilities			
Accounts payable	18,072	25,113	43,185
Accrued and other liabilities	5,500	103,313	108,813
Notes payable:			
Due within one year		7,945	7,945
Due in more than one year	-	184,570	184,570
Total liabilities	23,572	320,941	344,513
Net position			
Unrestricted (deficit)	\$ 148,155	\$ (182,851)	\$ (34,696)

The accompanying notes are an integral part of these financial statements.

CITY OF OWOSSO

Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2013

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Expenses			
Downtown Development Authority	\$ 201,728	\$ -	\$ 201,728
Brownfield Redevelopment Authority	-	37,214	37,214
Total Expenses	201,728	37,214	238,942
Program Revenues			
Operating grants and contributions	-	8,157	8,157
Net revenue (expense)	(201,728)	(29,057)	(230,785)
General revenues			
Property taxes	184,186	50,148	234,334
Interest revenue	48	-	48
Other revenue	32,855	-	32,855
Total general revenues	217,089	50,148	267,237
Change in net position	15,361	21,091	36,452
Net position (deficit), beginning of year	132,794	(203,942)	(71,148)
Net position (deficit), end of year	\$ 148,155	\$ (182,851)	\$ (34,696)

The accompanying notes are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

CITY OF OWOSSO

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Owosso, Michigan (the “City”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City of Owosso.

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

The City of Owosso is a municipal corporation governed by an elected mayor and seven-member council and administered by an appointed City Manager. As required by generally accepted accounting principles, these financial statements present the City and its component units entities for which the City is considered to be financially accountable.

Discretely Presented Component Units

The discrete component unit columns in the government-wide financial statements represent a total of the City’s discrete component units. They are reported in a separate column to emphasize that they are legally separate from the City.

The governing bodies of the Brownfield Redevelopment Authority and Downtown Development Authorities (DDA) are all appointed by the City Council or City Manager. 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 discrete component units use governmental fund type accounting. However, full accrual accounting is used for financial statement presentation.

The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority’s governing body, which consists of nine individuals, is selected by the City Council. In addition, the Authority’s budget is subject to approval by the City Council.

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 consists of seven individuals, is selected by the City Council and includes all members of the LDFA board. In addition, the Brownfield budget is subject to approval by the City Council.

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 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, 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.

CITY OF OWOSSO

Notes to Financial Statements

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 City reports the following major proprietary funds:

The *Water Supply System and Sewage Disposal System* 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.

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.

Enterprise Funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management *accountability*.

Internal Service Funds account for fleet maintenance services provided to other departments of the City on a cost reimbursement basis.

The *Employees' Retirement System* is 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. This includes the Trust and Agency Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Notes to Financial Statements

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.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

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 and sewer funds 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.

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, liabilities, deferred inflows of resources and equity

Deposits and investments

The government'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 non-participating (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.

CITY OF OWOSSO

Notes to Financial Statements

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 are deferred.

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.

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 prepaid items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both 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 market value as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

CITY OF OWOSSO

Notes to Financial Statements

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

	Years
Buildings	11-50
Land improvements	5-50
Machinery and equipment	5-20
Vehicles	5-25
Office equipment	5-20
Road and sidewalks	50

The amount presented as capital assets not being depreciated includes intangible assets consisting of land development rights acquired by the City. These assets are deemed to have an indefinite useful life, and therefore are not being amortized.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from one source: special assessments receivable. 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.

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.

CITY OF OWOSSO

Notes to Financial Statements

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 government'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 government'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 management. Unassigned fund balance is the residual classification for the General Fund.

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

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 total fund level for all other funds.

3. DEFICIT FUND EQUITY

The 2011 Street Program Fund had an unassigned fund deficit at year-end of \$153,060. The 2011 Street Program Fund will utilize a street improvement bond to eliminate the funds deficit.

The Brownfield Redevelopment Authority had a net deficit at the government-wide basis at year-end of \$182,851. The Brownfield Redevelopment Authority will capture property taxes in the future and use revenues from services to eliminate this deficit.

4. DEPOSITS AND INVESTMENTS

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.

CITY OF OWOSSO

Notes to Financial Statements

Following is a reconciliation of deposit and investment balances as of June 30, 2013:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units	Totals
Statement of Net Position					
Cash and investments	\$ 6,533,769	\$ 3,049,683	\$ 1,022,554	\$ 61,727	\$ 10,667,733
Restricted cash and investments	250,395	2,810,325	29,600,066	-	32,660,786
Total	\$ 6,784,164	\$ 5,860,008	\$ 30,622,620	\$ 61,727	\$ 43,328,519
Deposits and investments					
Checking and savings accounts					\$ 7,631,140
Investments					35,695,604
Cash on hand					1,775
Total					\$ 43,328,519

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, 2013, the carrying value of deposits owned by the City was \$12,428,807. Approximately \$820,450 of the City's bank balance was covered by federal depository insurance. The remaining balance of \$11,608,357 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, 2013:

Pooled investments:	
Money market funds	\$ 2,788,122
Securities	20,926,581
Bonds	11,980,901
Total	\$ 35,695,604

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System 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, 2013, 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 (2) 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 (5) years from the date of purchase.

CITY OF OWOSSO

Notes to Financial Statements

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.

	Fair Value	Due < 1 year	Due in 1-5 Years	Due in 6-10 Years	Due in More than 10 Years
Primary government:					
Money market funds	\$ 2,280,568	\$ -	\$ -	\$ -	\$ -
Equities	3,249,080	-	-	-	-
Municipal obligations	565,890	-	565,890	-	-
Total primary government	6,095,538	-	565,890	-	-
Pension trust fund:					
Money market funds	507,554	-	-	-	-
Equities	17,677,501	-	-	-	-
Corporate bonds	4,177,200	344,933	1,740,443	1,003,168	1,256,501
Municipal obligations	222,237	-	-	279,030	-
Government securities	7,015,574	1,535,753	2,036,934	1,727,424	1,571,963
Total pension	29,600,066	1,880,686	3,777,377	3,009,622	2,828,464
Total investments	\$ 35,695,604				

Moody's Rating

Money market funds	Not rated
Corporate bonds	AAA-C
Municipal obligations	A3
Government securities	AAA-AA3

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 June 30, 2013.

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.

CITY OF OWOSSO

Notes to Financial Statements

5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 1,502,928	\$ 1,210,971	\$ 110,000
Taxes	21,470	-	-
Interest	440	-	-
Intergovernmental	119,463	63	48,278
Special assessments	382,851	-	-
	<hr/>	<hr/>	<hr/>
Gross receivables	2,027,152	1,211,034	158,278
Less: Allowance for uncollectibles	(3,500)	(3,000)	-
	<hr/>	<hr/>	<hr/>
Net total receivables	<u>\$ 2,023,652</u>	<u>\$ 1,208,034</u>	<u>\$ 158,278</u>

Of the special assessment receivable balance \$382,851 has been deferred and will not be collected within one year.

6. ACCOUNTS PAYABLE

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 305,814	\$ 72,760	\$ 43,185
Due to other governments	74,506	-	-
Accrued interest on long-term debt	14,471	4,042	-
Other	103,322	-	-
	<hr/>	<hr/>	<hr/>
	<u>\$ 498,113</u>	<u>\$ 76,802</u>	<u>\$ 43,185</u>

CITY OF OWOSSO

Notes to Financial Statements

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General Fund	\$ 353,138	\$ 2,530,411
Major streets	166,219	45,068
Local streets	64,986	54,782
Nonmajor governmental funds	722,664	353,138
Water supply	76,879	6,157
Sewage disposal	73,781	-
Wastewater treatment	-	36,205
Internal service	1,568,094	-
	<u>\$ 3,025,761</u>	<u>\$ 3,025,761</u>

For the year ended June 30, 2013, interfund transfers consisted of the following:

Transfers Out	Transfers in				
	General Fund	Major Streets	Local Streets	Nonmajor Governmental Funds	Totals
General Fund	\$ -	\$ -		\$ 30,252	\$ 30,252
Major streets	-	-	302,056	-	302,056
Nonmajor governmental fund	22,340	102,412	235,222	529,960	889,934
	<u>\$ 22,340</u>	<u>\$ 102,412</u>	<u>\$ 537,278</u>	<u>\$ 560,212</u>	<u>\$ 1,222,242</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) 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 the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF OWOSSO

Notes to Financial Statements

8. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 4,462,099	\$ 180,018	\$ -	\$ 4,642,117
Capital assets, being depreciated:				
Roads and sidewalks	46,261,513	731,547	(248,693)	46,744,367
Land improvements	3,537,124	24,406	-	3,561,530
Buildings	2,832,058	-	(22,000)	2,810,058
Vehicles	3,703,899	41,046	(41,258)	3,703,687
Office furnishings	1,257,883	156,249	(150,282)	1,263,850
Machinery and equipment	2,218,104	21,525	-	2,239,629
	<u>59,810,581</u>	<u>974,773</u>	<u>(462,233)</u>	<u>60,323,121</u>
Less accumulated depreciation for:				
Roads and sidewalks	(18,569,123)	(926,172)	-	(19,495,295)
Land improvements	(1,628,682)	(124,591)	-	(1,753,273)
Buildings	(2,012,765)	(62,888)	368	(2,075,285)
Vehicles	(2,527,330)	(131,018)	41,258	(2,617,090)
Office furnishings	(1,157,480)	(57,124)	150,282	(1,064,322)
Machinery and equipment	(1,727,559)	(83,700)	-	(1,811,259)
	<u>(27,622,939)</u>	<u>(1,385,493)</u>	<u>191,908</u>	<u>(28,816,524)</u>
Total capital assets being depreciated, net	<u>32,187,642</u>	<u>(410,720)</u>	<u>(270,325)</u>	<u>31,506,597</u>
Governmental activities capital assets, net	<u>\$ 36,649,741</u>	<u>\$ (230,702)</u>	<u>\$ (270,325)</u>	<u>\$ 36,148,714</u>

CITY OF OWOSSO

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 527,234	\$ -	\$ -	\$ 527,234
Construction in progress	277,000	-	-	277,000
	<u>804,234</u>	<u>-</u>	<u>-</u>	<u>804,234</u>
Capital assets, being depreciated:				
Buildings	13,239,935	-	-	13,239,935
Improvements, other than buildings	10,683,788	140,960	-	10,824,748
Vehicles	27,882	-	(14,090)	13,792
Machinery and equipment	10,342,793	-	(75,946)	10,266,847
	<u>34,294,398</u>	<u>140,960</u>	<u>(90,036)</u>	<u>34,345,322</u>
Less accumulated depreciation for:				
Buildings	(6,432,461)	(256,638)	-	(6,689,099)
Improvements, other than buildings	(4,582,843)	(200,888)	-	(4,783,731)
Vehicles	(27,860)	-	14,090	(13,770)
Machinery and equipment	(9,947,475)	(79,076)	75,946	(9,950,605)
	<u>(20,990,639)</u>	<u>(536,602)</u>	<u>90,036</u>	<u>(21,437,205)</u>
Total capital assets being depreciated, net	<u>13,303,759</u>	<u>(395,642)</u>	<u>-</u>	<u>12,908,117</u>
Business-type activities capital assets, net	<u>\$ 14,107,993</u>	<u>\$ (395,642)</u>	<u>\$ -</u>	<u>\$ 13,712,351</u>

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

Depreciation of governmental activities by function:

General government	\$ 121,770
Public safety	146,798
Public works	18,135
Community and economic development	930,698
Recreation and culture	90,091
Internal service fund	78,001
	<u>\$ 1,385,493</u>

Depreciation of business-type activities by function:

Water supply system	\$ 287,483
Sewage disposal system	47,976
Wastewater treatment	201,143
	<u>\$ 536,602</u>

CITY OF OWOSSO

Notes to Financial Statements

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. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
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					
\$	870,000	\$ -	\$ (30,000)	\$ 840,000	\$ 35,000
2010 General Obligation Limited					
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					
	945,000	-	(20,000)	925,000	20,000
2000 HVAC Installment Purchase,					
\$600,000, due in annual installments of \$25,000 to \$115,000 through November 1, 2014, interest at 2.77 to 4.55%, payable semi-annually					
	220,000	-	(50,000)	170,000	55,000

CITY OF OWOSSO

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities (concluded)					
CISCO Phone System Installment Purchase, \$123,465 due in annual installments of \$23,407 to \$25,665 through November 15, 2016, interest at 2.88 payable annually	\$ -	\$ 123,465	\$ (25,665)	\$ 97,800	\$ 23,407
HME Tower Ladder Fire Truck, \$730,305, due in annual installments of \$101,842 to \$117,454 through May 1, 2013, interest at 3.63% payable annually	117,454	-	(117,454)	-	-
Total	2,152,454	123,465	(243,119)	2,032,800	133,407
Compensated absences and early retirement incentive	488,224	261,957	(372,890)	377,291	94,323
Landfill remediation liability	148,772	-	-	148,772	-
Total governmental activities	\$ 2,789,450	\$ 385,422	\$ (616,009)	\$ 2,558,863	\$ 227,730

CITY OF OWOSSO

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Business-type Activities					
Revenue Bond Series 2002					
Water Supply System,					
\$4,800,000, due in annual					
installments of \$180,000 to					
\$535,000 through November 1,					
2022, interest at 2.50 to 5.00%,					
payable semi-annually					
	\$ 3,915,000	\$ -	\$ (3,915,000)	\$ -	\$ -
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					
	-	3,800,000	(55,000)	\$ 3,745,000	255,000
State Revolving Fund 2009					
Sewer System, \$801,786,					
due in annual installments of					
\$30,000 to \$51,786 through					
April 1, 2028, interest at					
2.50%, payable semi-annually					
	676,786	-	(30,000)	646,786	35,000
Total business-type activities					
bonds	4,591,786	3,800,000	(4,000,000)	4,391,786	290,000
Compensated absences and early					
retirement incentive					
	137,896	57,871	(61,695)	134,072	33,518
Total business-type activities					
	\$ 4,729,682	\$ 3,857,871	\$ (4,061,695)	\$ 4,525,858	\$ 323,518
	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Discretely-Presented Component units					
Cass Street and Hotel					
Demolition loan from primary					
Government					
	\$ 206,680	\$ -	\$ (14,165)	\$ 192,515	\$ 7,945

CITY OF OWOSSO

Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 133,407	\$ 88,806	\$ 290,000	\$ 122,407
2015	194,089	80,892	315,000	113,507
2016	84,791	75,795	340,000	103,857
2017	95,513	72,758	365,000	93,457
2018	85,000	69,239	390,000	84,082
2019-2023	535,000	285,208	2,435,000	230,180
2024-2028	635,000	155,211	256,786	19,472
2029-2031	270,000	18,042	-	-
	<u>\$ 2,032,800</u>	<u>\$ 845,951</u>	<u>\$ 4,391,786</u>	<u>\$ 766,962</u>

The aggregate debt service requirement for the component units to pay principal and interest on the outstanding loans with interest included of \$89,050 are as follows:

Year Ended June 30,	Principal	Interest
2014	\$ 7,945	\$ 10,977
2015	8,421	10,501
2016	8,899	1,023
2017	9,460	9,461
2018	10,028	8,894
2019-2023	59,895	34,714
2024-2027	87,867	13,480
	<u>\$ 192,515</u>	<u>\$ 89,050</u>

Advance Refunding

On August 8, 2012, the City issued revenue bond series 2012 of \$3,800,000. As a result of refunding of the bond series, the City realized an economic gain of \$366,136. The refunded bonds mature as scheduled on August 8, 2012, through November 1, 2022.

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 year, the 2002 water supply system bond was refunded, leaving remaining principal and interest to be paid on the bonds total \$4,371,539. During the current year, net revenue of the system was \$2,396,027 compared to the annual debt requirements of \$55,000.

CITY OF OWOSSO

Notes to Financial Statements

10. RESTRICTED ASSETS

The balances of the restricted asset accounts are as follows:

	Governmental Activities	Business-Type Activities
Unspent bond proceeds and related interest	\$ 250,395	\$ -
Revenue bond restrictions:		
Revenue bond reserve	-	350,000
Improvement and replacement fund	-	2,460,325
	<u>\$ 250,395</u>	<u>\$ 2,810,325</u>

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 (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risksharing management program for losses in excess of member retention 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.

CITY OF OWOSSO

Notes to Financial Statements

At June 30, 2013, the City has \$250,395 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:

	Risk Management	
	2013	2012
Unpaid claims -		
Beginning of year	\$ 103,322	\$ 103,322
Incurred claims (including claims incurred but not reported)	77,046	18,352
Claim payments	<u>(77,046)</u>	<u>(18,352)</u>
Unpaid claims -		
End of year	103,322	103,322
Assets held on deposit with Authority	<u>250,395</u>	<u>255,307</u>
Net position -		
End of year	<u>\$ 147,073</u>	<u>\$ 151,985</u>

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.

13. BENEFIT PLANS

Employees' Retirement System

Plan Description. The City of Owosso Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Owosso, Michigan; this plan 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 employees under AFSCME and general union agreements participate in a defined contribution plan administered under ICMA for which the City matches employee contributions up to 4.0 percent. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2012, the date of the most recent actuarial valuation, membership consisted of 78 retirees and beneficiaries currently receiving benefits and 6 terminated employees entitled to benefits but not yet receiving them, and 69 current active employees. The plan does not issue a separate financial statement.

CITY OF OWOSSO

Notes to Financial Statements

Funding Policy. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

Annual Pension Cost. For the year ended June 30, 2013, the City's annual pension cost was \$829,038, in accordance with actuarial requirements.

Actuarial methods and assumption. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry actual age cost method. Significant actuarial assumptions include (i) an 7.5 percent investment rate of return and (ii) projected salary increases of 4.5 percent to 12.8 percent per year depending on age, attributable to seniority/merit. Both (i) and (ii) include an inflation component of 1.4 percent of the base pension for the first ten years. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll. The remaining amortization period is 10 years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2011	\$ 350,559	100%	\$ -
2012	550,684	100%	-
2013	829,038	100%	-

Funded Status and Funding Progress. As of December 31, 2012, the most recent valuation date, the Plan was 89.7% funded. The actuarial accrued liability for benefits was \$34,120,683 and the actuarial value of assets was \$30,611,263, resulting in an unfunded actuarial accrued liability of \$3,509,420, which means the plan is under-funded. The covered payroll (annual payroll for active employees covered by the Plan) was \$3,333,049 and the ratio for the UAAL to the covered payroll was -105%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Michigan Municipal Employees' Retirement System

Plan description. The City participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers certain retired union members of the American Federation of State, City, and Municipal Employees (AFSCME) and certain union members of the Police Command Bargaining Unit employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the system. That financial report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

CITY OF OWOSSO

Notes to Financial Statements

Funding policy. The obligation to contribute to and maintain the system for these employees was established by negotiations with the City’s competitive bargaining units and requires 6.40 percent contributions from the employees of AFSCME and Police Command Bargaining Unit employees, respectively.

Annual pension costs. For the year ended June 30, 2013, the City’s annual pension cost was \$45,279, in accordance with actuarial requirements.

Actuarial methods and assumption. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry actual age cost method. Significant actuarial assumptions include (i) an 8.0 percent investment rate of return and (ii) projected salary increases of 4.5 percent to 12.9 percent per year depending on age, attributable to seniority/merit. Both (i) and (ii) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll. The remaining amortization period is 28 years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 14,462	100%	\$ -
2012	11,902	100%	-
2013	45,279	100%	-

Funded Status and Funding Progress. As of December 31, 2012, the date of the most recent actuarial valuation, the Plan was 77.8 percent funded. The actuarial accrued liability for benefits was \$4,671,640 and the actuarial value of assets was \$3,632,208, resulting in an unfunded actuarial accrued liability (AAL) of \$1,039,432. The covered payroll (annual payroll of active employees covered by the Plan) was \$364,636 and the ratio of the under-funded AAL to the covered payroll was 285.1 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Defined Contribution Pension 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 \$81,803 during the current year and employees contributed \$68,674 during the year.

14. OTHER POSTEMPLOYMENT BENEFITS

Primary Government

During the current fiscal year, the City bargained retiree healthcare out of the final two contracts that still offered the benefit. As there were no retirees currently receiving the benefit, the liability is now zero.

CITY OF OWOSSO

Notes to Financial Statements

15. 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 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:

Shortfall at July 1, 2012	\$ (393,691)
Current year building permit revenue	122,729
Related expenses - Direct costs	<u>(103,122)</u>
Cumulative shortfall at June 30, 2013	<u>\$ (374,084)</u>

16. POLLUTION REMEDIATION

The Michigan Department of Environmental Quality (MDEQ), in written communication, alleges the City is one of several potential responsible parties for response costs related to the former Shiawassee Sanitary Landfill site. The State's claimed costs are estimated to be in excess of \$900,000. The MDEQ letter also invites the recipient parties to voluntarily perform additional response activities. The site was privately owned and operated in a neighboring township and ceased business decades ago. The allegation relates to the City, as a customer, and its contribution to the pollution. A working group, consisting of some potential responsible parties that received demand letters from the MDEQ, without admitting fault or liability, has obtained cost proposals for remedial activities. The City has calculated and recorded the potential remediation liability of \$148,772 using an expected cash flows technique applied to probabilities, ranges, and assumptions from the cost proposals and claimed costs of the State as of June 30, 2013. Prevailing law in this matter is not expected to change significantly if litigation commences.

CITY OF OWOSSO

Notes to Financial Statements

17. FUND BALANCE CLASSIFICATIONS

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Inventory	\$ 87,670	\$ -	\$ -	\$ -	\$ 87,670
Restricted					
Streets	-	63,325	680	1,481,697	1,545,702
Committed for subsequent years expenditures	1,576,928	-	-	-	1,576,928
Assigned for:					
Capital projects	-	-	-	884,507	884,507
Subdivision debt	244,000	-	-	-	244,000
Pollution remediation	148,772	-	-	-	148,772
Comp. absences	377,291	-	-	-	377,291
Special assessment	100,000	-	-	-	100,000
Economic development	100,000	-	-	-	100,000
Owosso drain	171,197	-	-	-	171,197
Cass street	-	155,298	-	-	155,298
Total assigned	1,141,260	155,298	-	884,507	2,181,065
Unassigned	596,345	-	-	-	596,345
Total fund balances - governmental funds	\$ 3,402,203	\$ 218,623	\$ 680	\$ 2,366,204	\$ 5,987,710

18. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2013, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Being depreciated, net	\$ 31,506,597	\$ 12,908,117
Not being depreciated	4,642,117	804,234
	<u>36,148,714</u>	<u>13,712,351</u>
Related debt:		
Bonds payable	1,765,000	4,391,786
Installment purchases	267,800	-
	<u>\$ 34,115,914</u>	<u>\$ 9,320,565</u>

CITY OF OWOSSO

Notes to Financial Statements

19. IMPLEMENTATION OF NEW STANDARDS

The City adopted the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and No. 65, Items Previously Reported as Assets and Liabilities, in the current year. While the classification of certain financial elements in the financial statements were revised, the implementation of this standard had no effect on net position.

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF OWOSSO

Required Supplementary Information

Employees' Retirement System
For the Year Ended June 30, 2013

Schedule of Funding Progress
Single-employer Pension Trust Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2006	\$ 32,505,226	\$ 28,673,197	\$ (3,832,029)	113.4%	\$ 3,933,310	97.4%
2007	33,894,127	28,860,834	(5,033,293)	117.4%	4,052,300	124.2%
2008	32,567,350	29,857,841	(2,709,509)	109.1%	4,042,417	67.0%
2009	32,187,590	30,042,649	(2,144,941)	107.1%	3,952,336	54.3%
2010	31,529,473	31,251,375	(278,098)	100.9%	3,672,267	7.6%
2011	29,624,891	33,523,677	3,898,786	88.4%	3,746,852	-104.1%
2012	30,611,263	34,120,683	3,509,420	89.7%	3,333,049	-105.3%

Schedule of Employer Contributions
Single-employer Pension Trust Fund

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2007	\$ 95,731	100.00%
2008	130,844	100.00%
2009	128,117	100.00%
2010	328,824	100.00%
2011	350,599	100.00%
2012	550,684	100.00%
2013	829,038	100.00%

CITY OF OWOSSO

Required Supplementary Information

Municipal Employees Retirement System of Michigan
For the Year Ended June 30, 2013

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2006	\$ 3,662,770	\$ 3,625,641	\$ (37,129)	101.0%	\$ 357,822	10.4%
2007	3,707,096	3,616,007	(91,089)	102.5%	328,273	27.7%
2008	3,689,088	3,943,773	254,685	93.5%	337,879	-75.4%
2009	3,606,376	4,131,958	525,582	87.3%	359,218	-146.3%
2010	3,640,481	4,350,930	710,449	83.7%	338,561	-209.8%
2011	3,253,171	4,258,393	1,005,222	76.4%	309,897	-324.4%
2012	3,632,208	4,671,640	1,039,432	77.8%	364,636	-285.1%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2006	\$ -	0.00%
2007	-	0.00%
2008	-	0.00%
2009	11,528	100.00%
2010	13,005	100.00%
2011	14,462	100.00%
2012	11,902	100.00%
2013	45,279	100.00%

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OTHER SUPPLEMENTAL INFORMATION

CITY OF OWOSSO

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds				Total
	Revolving Loan	Housing and Redevelopment	Historical	Facade	
Assets					
Cash and investments	\$ 141,256	\$ -	\$ 65,540	\$ -	\$ 206,796
Receivables, net:					
Accounts	663,068	23,335	3,800	-	690,203
Special assessments	-	-	-	-	-
Accrued interest	-	-	440	-	440
Due from other funds	573,134	14,454	30	-	587,618
Due from other governments	-	-	-	10,875	10,875
Land held for sale	-	-	-	-	-
Total assets	<u>\$ 1,377,458</u>	<u>\$ 37,789</u>	<u>\$ 69,810</u>	<u>\$ 10,875</u>	<u>\$ 1,495,932</u>
Liabilities					
Accounts payable	-	36,623	822	-	37,445
Accrued wages payable	-	1,154	206	-	1,360
Accrued liabilities	-	-	870	10,875	11,745
Due to other funds	-	-	-	-	-
Due to other governments	1,150	-	-	-	1,150
Total liabilities	<u>1,150</u>	<u>37,777</u>	<u>1,898</u>	<u>10,875</u>	<u>51,700</u>
Deferred inflows of resources					
Unavailable revenue - special assessments	-	-	-	-	-
Unavailable revenue - other	15,000	-	-	-	15,000
Total deferred inflows of resources	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Fund balances (deficit)					
Restricted	1,361,308	12	67,912	-	1,429,232
Assigned	-	-	-	-	-
Total fund balances	<u>1,361,308</u>	<u>12</u>	<u>67,912</u>	<u>-</u>	<u>1,429,232</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,377,458</u>	<u>\$ 37,789</u>	<u>\$ 69,810</u>	<u>\$ 10,875</u>	<u>\$ 1,495,932</u>



Debt Service Funds						
2013 General Obligation Bonds	2012 Special Assessment Limited Tax Bonds	2010 General Obligation Bonds	2009 Limited Tax General Obligation Bonds	2011 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2009 Special Assessment Limited Tax Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14
-	-	-	-	-	-	-
-	169,636	-	-	101,005	24,475	19,153
-	-	-	-	-	-	-
52,400	-	51	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 52,400</u>	<u>\$ 169,636</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 101,005</u>	<u>\$ 24,475</u>	<u>\$ 19,167</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	169,636	-	-	101,005	24,475	19,153
-	-	-	-	-	-	-
-	169,636	-	-	101,005	24,475	19,153
52,400	-	51	-	-	-	14
-	-	-	-	-	-	-
<u>52,400</u>	<u>-</u>	<u>51</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14</u>
<u>\$ 52,400</u>	<u>\$ 169,636</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ 101,005</u>	<u>\$ 24,475</u>	<u>\$ 19,167</u>

CITY OF OWOSSO

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Debt Service Funds				
	2008 Special Assessment Limited Tax Bonds	2007 Special Assessment Limited Tax Bonds	2006 Special Assessment Limited Tax Bonds	2005 Special Assessment Limited Tax Bonds	2004 Special Assessment Limited Tax Bonds
Assets					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net:					
Accounts	-	-	-	-	-
Special assessments	15,538	26,628	17,617	4,750	3,299
Accrued interest	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Land held for sale	-	-	-	-	-
Total assets	<u>\$ 15,538</u>	<u>\$ 26,628</u>	<u>\$ 17,617</u>	<u>\$ 4,750</u>	<u>\$ 3,299</u>
Liabilities					
Accounts payable	-	-	-	-	-
Accrued wages payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources					
Unavailable revenue - special assessments	15,538	26,628	17,617	4,750	3,299
Unavailable revenue - other	-	-	-	-	-
Total deferred inflows of resources	<u>15,538</u>	<u>26,628</u>	<u>17,617</u>	<u>4,750</u>	<u>3,299</u>
Fund balances (deficit)					
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,538</u>	<u>\$ 26,628</u>	<u>\$ 17,617</u>	<u>\$ 4,750</u>	<u>\$ 3,299</u>



1994 Special Assessment Limited Tax Bonds	1992 Building Authority Bonds	1990 Building Authority Bonds	Total
\$ 848	\$ -	\$ -	\$ 862
-	-	-	-
750	-	-	382,851
-	-	-	-
(848)	-	-	51,603
-	-	-	-
-	-	-	-
<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,316</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
750	-	-	382,851
-	-	-	-
<u>750</u>	<u>-</u>	<u>-</u>	<u>382,851</u>
-	-	-	52,465
-	-	-	-
-	-	-	52,465
<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 435,316</u>

CITY OF OWOSSO

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Capital Projects Funds			
	Capital Projects	2011 Street Program	Building Authority	DDA Construction Fund
Assets				
Cash and investments	\$ 844,628	\$ -	\$ -	\$ 67,744
Receivables, net:				
Accounts	-	-	-	-
Special assessments	-	-	-	-
Accrued interest	-	-	-	-
Due from other funds	-	-	83,443	-
Due from other governments	-	-	-	-
Land held for sale	-	-	-	-
Total assets	<u>\$ 844,628</u>	<u>\$ -</u>	<u>\$ 83,443</u>	<u>\$ 67,744</u>
Liabilities				
Accounts payable	-	2,060	-	-
Accrued wages payable	-	-	-	-
Accrued liabilities	-	-	-	-
Due to other funds	-	151,000	-	-
Due to other governments	-	-	-	110
Total liabilities	<u>-</u>	<u>153,060</u>	<u>-</u>	<u>110</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)				
Restricted	-	-	-	-
Assigned	844,628	(153,060)	83,443	67,634
Total fund balances	<u>844,628</u>	<u>(153,060)</u>	<u>83,443</u>	<u>67,634</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 844,628</u>	<u>\$ -</u>	<u>\$ 83,443</u>	<u>\$ 67,744</u>



Subdivision	Total	Total Nonmajor Governmental Funds
\$ -	\$ 912,372	\$ 1,120,030
-	-	690,203
-	-	382,851
-	-	440
-	83,443	722,664
-	-	10,875
<u>244,000</u>	<u>244,000</u>	<u>244,000</u>
<u>\$ 244,000</u>	<u>\$ 1,239,815</u>	<u>\$ 3,171,063</u>

-	2,060	39,505
-	-	1,360
-	-	11,745
202,138	353,138	353,138
-	110	1,260
<u>202,138</u>	<u>355,308</u>	<u>407,008</u>

-	-	382,851
-	-	15,000
-	-	<u>397,851</u>

-	-	1,481,697
<u>41,862</u>	<u>884,507</u>	<u>884,507</u>
<u>41,862</u>	<u>884,507</u>	<u>2,366,204</u>

<u>\$ 244,000</u>	<u>\$ 1,239,815</u>	<u>\$ 3,171,063</u>
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CITY OF OWOSSO

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2013**

	Special Revenue Funds				Total
	Revolving Loan	Housing and Redevelopment	Historical	Facade	
Revenue					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	-	222,835	-	-	222,835
Local sources	8,308	-	-	-	8,308
Charges for services	-	32,809	16,110	-	48,919
Sales	-	-	2,316	-	2,316
Interest revenue	3,071	-	295	-	3,366
Miscellaneous revenue	-	525	12,137	-	12,662
Total revenue	11,379	256,169	30,858	-	298,406
Expenditures					
Current:					
General government:					
Preservation and maintenance	-	-	26,965	-	26,965
General and administrative	-	295,341	30,864	-	326,205
Public works:					
Preservation and maintenance	-	-	-	-	-
Community and economic development	8,759	-	-	-	8,759
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	8,759	295,341	57,829	-	361,929
Revenue over (under) expenditures	2,620	(39,172)	(26,971)	-	(63,523)
Other financing sources (uses)					
Transfers in	489,879	40,081	30,252	-	560,212
Transfers out	(40,081)	-	-	-	(40,081)
Total other financing sources (uses)	449,798	40,081	30,252	-	520,131
Net change in fund balances	452,418	909	3,281	-	456,608
Fund balances, beginning of year	908,890	(897)	64,631	-	972,624
Fund balances, end of year	\$ 1,361,308	\$ 12	\$ 67,912	\$ -	\$ 1,429,232

Debt service Funds						
2013 General Obligation Bonds	2012 Special Assessment Limited Tax Bonds	2010 General Obligation Bonds	2009 Limited Tax General Obligation Bonds	2011 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2009 Special Assessment Limited Tax Bonds
\$ 52,400	\$ -	\$ 58,000	\$ -	\$ 500	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	71,415	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	14
-	-	-	-	-	-	-
<u>52,400</u>	<u>-</u>	<u>58,000</u>	<u>71,415</u>	<u>500</u>	<u>-</u>	<u>14</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	20,000	30,000	-	-	-
-	-	37,953	41,415	500	-	505
<u>-</u>	<u>-</u>	<u>57,953</u>	<u>71,415</u>	<u>500</u>	<u>-</u>	<u>505</u>
<u>52,400</u>	<u>-</u>	<u>47</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(491)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>52,400</u>	<u>-</u>	<u>47</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(491)</u>
-	-	4	-	-	-	505
<u>\$ 52,400</u>	<u>\$ -</u>	<u>\$ 51</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>

CITY OF OWOSSO

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2013**

	Debt Service Funds				
	2008 Special Assessment Limited Tax Bonds	2007 Special Assessment Limited Tax Bonds	2006 Special Assessment Limited Tax Bonds	2005 Special Assessment Limited Tax Bonds	2004 Special Assessment Limited Tax Bonds
Revenue					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	-	-	-
Local sources	-	-	-	-	-
Charges for services	-	-	-	-	-
Sales	-	-	-	-	-
Interest revenue	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-
Total revenue	-	-	-	-	-
Expenditures					
Current:					
General government:					
Preservation and maintenance	-	-	-	-	-
General and administrative	-	-	-	-	-
Public works:					
Preservation and maintenance	-	-	-	-	-
Community and economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	-	-	-	-
Revenue over (under) expenditures	-	-	-	-	-
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -



1994 Special Assessment Limited Tax Bonds	1992 Building Authority Bonds	1990 Building Authority Bonds	Total
\$ -	\$ -	\$ -	\$ 110,900
-	-	-	-
-	-	-	71,415
-	-	-	-
-	-	-	-
-	-	-	14
-	(1)	-	(1)
-	(1)	-	182,328
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	50,000
-	-	-	80,373
-	-	-	130,373
-	(1)	-	51,955
-	-	-	-
-	(376,950)	(112,929)	(489,879)
-	(376,950)	(112,929)	(489,879)
-	(376,951)	(112,929)	(437,924)
-	376,951	112,929	490,389
\$ -	\$ -	\$ -	\$ 52,465

CITY OF OWOSSO

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2013**

	Capital Projects Fund			
	Capital Projects	2011 Street Program	Building Authority	DDA Construction Fund
Revenue				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Sales	-	-	-	-
Interest revenue	-	312	849	80
Miscellaneous revenue	-	-	14,165	-
Total revenue	-	312	15,014	80
Expenditures				
Current:				
General government:				
Preservation and maintenance	-	-	-	18,345
General and administrative	-	-	-	-
Public works:				
Preservation and maintenance	-	79,606	-	-
Community and economic development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	79,606	-	18,345
Revenue over (under) expenditures	-	(79,294)	15,014	(18,265)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	(359,974)	-	-
Total other financing sources (uses)	-	(359,974)	-	-
Net change in fund balances	-	(439,268)	15,014	(18,265)
Fund balances, beginning of year	844,628	286,208	68,429	85,899
Fund balances, end of year	<u>\$ 844,628</u>	<u>\$ (153,060)</u>	<u>\$ 83,443</u>	<u>\$ 67,634</u>



Subdivision	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 110,900
-	-	222,835
-	-	79,723
-	-	48,919
-	-	2,316
-	1,241	4,621
-	14,165	26,826
-	15,406	496,140
-	18,345	45,310
-	-	326,205
-	79,606	79,606
-	-	8,759
-	-	50,000
-	-	80,373
-	97,951	590,253
-	(82,545)	(94,113)
-	-	560,212
-	(359,974)	(889,934)
-	(359,974)	(329,722)
-	(442,519)	(423,835)
41,862	1,327,026	2,790,039
\$ 41,862	\$ 884,507	\$ 2,366,204

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

December 12, 2013

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 the City of Owosso, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Owosso's basic financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Owosso'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 City of Owosso's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Owosso'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 City of Owosso'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 "Rehmann Johnson LLC".