

City of Owosso,  
Michigan



Year Ended  
June 30, 2016

Financial  
Statements

# CITY OF OWOSSO, MICHIGAN

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	20
Major Streets Fund	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Position - Fiduciary Funds	25
Statement of Changes in Plan Net Position - Pension Trust Fund	26
Combining Statement of Net Position - Discretely Presented Component Units	27
Combining Statement of Activities - Discretely Presented Component Units	28
Notes to Financial Statements	30
Required Supplementary Information	
Employees' Retirement System Single Employer Pension Plan:	
Schedule of Changes in Net Pension Liability and Related Ratios	61
Schedule of the Net Pension Liability	62
Schedule of Contributions	63
Schedule of Investment Returns	64
MERS Agent Multiple-Employer Defined Benefit Pension Plan:	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	65
Schedule of the City's Net Pension Liability	66
Schedule of Contributions	67
Combining and Individual Fund Financial Statements	
Combining Balance Sheet - Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	70
Combining Balance Sheet - Nonmajor Special Revenue Funds	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	73
Combining Balance Sheet - Nonmajor Debt Service Funds	75

# CITY OF OWOSSO, MICHIGAN

## Table of Contents

	<u>Page</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	78
Combining Balance Sheet - Nonmajor Capital Projects Funds	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	83
Brownfield Redevelopment Authority Component Unit:	
Statement of Net Position and Governmental Fund Balance Sheet	85
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Change in Fund Balance	86
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 <i>Governmental Auditing Standards</i>	87

# CITY OF OWOSSO, MICHIGAN

## ELECTED OFFICERS

For the Year Ended June 30, 2016

### ADMINISTRATION

#### CITY MANAGER

Donald Crawford

### CITY COUNCIL

Mayor	Benjamin Frederick
Mayor Pro-Tem	Christopher Eveleth
Council Member	Loreen Bailey
Council Member	Michael J. O'Leary
Council Member	Burton Fox
Council Member	Elaine Greenway
Council Member	Robert Teich Jr

This page intentionally left blank.

**INDEPENDENT AUDITORS' REPORT**

December 27, 2016

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Required Supplementary Information*

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

## *Other Information*

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

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2016, on our consideration of the City's internal control over financial reporting and 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.

*Rehmann Lobson LLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

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

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$55,785,141 (*net position*).
- The total net position for the City is \$55,785,141. Of this amount, \$9,619,925 is unrestricted and available for any City activity. The net position increased \$240,681 from the prior fiscal year.
- Combined program and general revenues for the primary government activities amounted to \$14,996,052. Expenses of \$14,755,371 were less than combined program and general revenues by \$240,681.
- The combined fund balance at year end for the City's governmental funds was \$7,394,336. This was an increase of \$468,032 over the prior fiscal year.
- General fund revenues exceeded expenditures and other financing uses by \$360,286, causing the general fund's fund balance to increase accordingly.

### Overview of the Financial Statements

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

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

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the residual amount 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 and culture. The business-type activities of the City include water, sewer, wastewater and transportation.

# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

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

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

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

### Government-wide Financial Analysis

As mentioned earlier, net position provides useful benchmarks in determining overall financial position. The City of Owosso's combined net position is \$55,785,141. This compares to last year's reported total of \$55,544,460 which was an increase of \$240,681.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	\$11,182,186	\$10,177,401	\$ 9,540,508	\$ 8,797,759	\$20,722,694	\$18,975,160
Capital assets, net	34,355,781	35,140,661	12,283,577	12,676,100	46,639,358	47,816,761
	<u>45,537,967</u>	<u>45,318,062</u>	<u>21,824,085</u>	<u>21,473,859</u>	<u>67,362,052</u>	<u>66,791,921</u>
Deferred outflows of resources	2,592,094	927,563	1,009,433	403,665	3,601,527	1,331,228
<b>Liabilities</b>						
Other liabilities	5,627,933	3,998,844	1,684,765	1,307,354	7,312,698	5,306,198
Long-term liabilities	3,295,844	3,369,571	3,578,131	3,902,920	6,873,975	7,272,491
	<u>8,923,777</u>	<u>7,368,415</u>	<u>5,262,896</u>	<u>5,210,274</u>	<u>14,186,673</u>	<u>12,578,689</u>
Deferred inflows of resources	697,684	-	294,081	-	991,765	-
<b>Net position</b>						
Net investment in capital assets	32,035,984	32,649,904	8,836,791	8,889,314	40,872,775	41,539,218
Restricted	2,266,987	2,132,824	3,025,454	2,907,961	5,292,441	5,040,785
Unrestricted	4,205,629	4,094,482	5,414,296	4,869,975	9,619,925	8,964,457
<b>Total net position</b>	<u>\$38,508,600</u>	<u>\$38,877,210</u>	<u>\$17,276,541</u>	<u>\$16,667,250</u>	<u>\$55,785,141</u>	<u>\$55,544,460</u>

# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

Further review of the net position indicates that they are divided into three parts. The largest part, 73%, is the net investment in capital assets (land, buildings, machinery and equipment) which cannot be readily liquidated or available for future spending. The second part is restricted net position, which are subject to external restrictions on how they may be used. Finally, the last part is unrestricted net position which can be used for ongoing obligations or new activities.

### Governmental Activities

Governmental activities are described in detail below. The City of Owosso's current fiscal year experienced a decrease in net position of \$368,610. This decrease in net position is mainly the result of depreciation outpacing capital replacements.

The City received gas and weight tax contributions of \$1,131,718 and other operating grant funds for roads in the amount of \$162,477, which account for the majority of the \$1,445,516 in operating grants and contributions for the governmental activities.

During the current year, governmental activities revenues decreased by \$189,437 and expenses increased by \$7,642. A reduction of cyclical federal pass-through capital grants for housing offset the single digit increases in program and general revenues.

During the current year, business-type activity revenues increased by \$585,484 and expenses increased \$481,729. This was mainly the result of rate adjustments to cover increased maintenance and operational costs.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 1,712,624	\$ 1,597,289	\$ 5,867,693	\$ 5,742,664	\$ 7,580,317	\$ 7,339,953
Operating grants and contributions	1,445,516	1,313,503	565,751	126,850	2,011,267	1,440,353
Capital grants and contributions	7,500	419,526	-	-	7,500	419,526
General revenues:						
Property taxes	3,453,738	3,351,415	71,221	62,097	3,524,959	3,413,512
Grants and contributions not restricted to specific programs	1,556,296	1,557,409	-	-	1,556,296	1,557,409
Other	287,276	413,245	28,437	16,007	315,713	429,252
<b>Total revenues</b>	<b>8,462,950</b>	<b>8,652,387</b>	<b>6,533,102</b>	<b>5,947,618</b>	<b>14,996,052</b>	<b>14,600,005</b>

continued...

# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

	Change in Net Position (concluded)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Expenses</b>						
General government	\$ 1,365,288	\$ 1,230,769	\$ -	\$ -	\$ 1,365,288	\$ 1,230,769
Public safety	3,867,421	3,463,151	-	-	3,867,421	3,463,151
Public works	2,786,798	3,252,564	-	-	2,786,798	3,252,564
Community and economic development	360,525	325,308	-	-	360,525	325,308
Recreation and culture	338,375	420,130	-	-	338,375	420,130
Water	-	-	2,332,761	2,199,440	2,332,761	2,199,440
Sewer	-	-	1,818,710	1,487,181	1,818,710	1,487,181
Wastewater	-	-	1,701,076	1,693,360	1,701,076	1,693,360
Transportation	-	-	71,264	62,101	71,264	62,101
Interest on debt	113,153	131,996	-	-	113,153	131,996
<b>Total expenses</b>	<b>8,831,560</b>	<b>8,823,918</b>	<b>5,923,811</b>	<b>5,442,082</b>	<b>14,755,371</b>	<b>14,266,000</b>
<b>Change in net position</b>	<b>(368,610)</b>	<b>(171,531)</b>	<b>609,291</b>	<b>505,536</b>	<b>240,681</b>	<b>334,005</b>
<b>Net position</b>						
Beginning of year						
As previously stated	38,877,210	41,427,809	16,667,250	16,714,420	55,544,460	58,142,229
Restatement for implementation of GASB 68	-	(2,379,068)	-	(552,706)	-	(2,931,774)
<b>End of year</b>	<b>\$38,508,600</b>	<b>\$38,877,210</b>	<b>\$17,276,541</b>	<b>\$16,667,250</b>	<b>\$55,785,141</b>	<b>\$55,544,460</b>

### Financial Analysis of the City's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,394,336 or 92% of annual operating expenditures. More detail on available, spendable balances can be found in the notes to these financial statements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance is \$4,449,096 an increase of \$360,286. The continued positive results are due to management decisions to expand the service base for paramedic service to neighboring governmental units. In addition, permit revenue is up for industrial, commercial and residential expansions and improvements which are indications of a modest economic recovery.

The major streets fund balance increased from \$19,257 to \$162,564. The increase is attributable to additional general purpose state revenue earmarked for roads. The fund balance will be drawn down in the subsequent year for street maintenance efforts.

# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

The nonmajor funds include special revenue, debt service and capital project funds and have total fund balances of \$2,782,676. This was a decrease in fund balance from the previous year of \$35,561 for a planned draw down of Building Authority Capital Fund for improvements to city hall.

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

The proprietary funds of the City are comprised of the water supply system, sewage disposal system, wastewater treatment system and transportation funds. Similar types of information are found here as compared to the government-wide statements but with more detail. The water supply system fund's net position increased by \$445,409 to \$8,780,192. The sewage disposal system fund's net position increased \$232,504 to \$3,962,117. The wastewater treatment system fund's net position decreased \$68,579 to \$4,534,206. The water supply system fund's net position increased due to rate adjustments earmarked for capital replacements. The fund continues to benefit from a bond refinancing that lowered interest expense. The sewage disposal system fund's increase in net position will provide reserves to continue identifying and eliminating storm infiltrations to the sanitary system. The City operates under a consent order under its NPDES permit. Recognition of deferred obligations reduced the wastewater treatment system fund's net position.

### General Fund Budgetary Highlights

The general fund accounts for the public safety, public works, community and economic development, parks and 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 appropriately revise 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. Public safety expenditures increased due to equipment purchases and negotiated benefit improvements including increased employer pension contributions.

### Capital Asset and Debt Administration

At the end of the current fiscal year, the City's investment in capital assets for the governmental and business-type activities amounted to \$40,872,775 (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 net investment (net of related debt) in capital assets decreased \$666,443 due to depreciation of streets and sidewalks outpaced capital replacements. Please see the capital assets footnote for further detail.

### Long-term Debt

At the end of the current fiscal year, the City had \$3,295,844 in bonds and other obligations outstanding and compensated absences for governmental activities and \$3,578,131 in bonds outstanding and compensated absences for business-type activities. Governmental activities long-term debt and obligations decreased \$73,727 while business-type activities long-term debt decreased \$324,789. The main reasons for these changes were scheduled debt retirement.

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

# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

### Economic Factors and Next Year's Budget and Rates

Tax revenues have stabilized with property values increasing a modest 1.4%. Constitutional and statutory revenue sharing from sales tax are expected to be in line with inflation. Property taxes and revenue sharing comprise 63% of General Fund revenues. Fiscal 2017 general fund budget is in balance with an appropriation of fund balance for capital acquisitions.

### 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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF OWOSSO, MICHIGAN

Statement of Net Position

June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 9,596,007	\$ 4,171,498	\$ 13,767,505	\$ 76,282
Receivables, net	1,940,808	1,293,836	3,234,644	222,866
Internal balances	(901,874)	901,874	-	-
Inventories	139,596	147,846	287,442	89,812
Other assets	258,062	-	258,062	-
Restricted cash and investments	149,587	3,025,454	3,175,041	-
Capital assets not being depreciated	4,813,935	719,029	5,532,964	-
Capital assets being depreciated, net	29,541,846	11,564,548	41,106,394	-
<b>Total assets</b>	<b>45,537,967</b>	<b>21,824,085</b>	<b>67,362,052</b>	<b>388,960</b>
<b>Deferred outflows of resources</b>				
Deferred pension amounts	2,592,094	1,009,433	3,601,527	-
<b>Liabilities</b>				
Accounts payable	566,792	161,699	728,491	230,734
Accrued and other liabilities	394,372	203,589	597,961	-
Long-term liabilities:				
Due within one year	449,519	397,836	847,355	9,460
Due in more than one year	2,846,325	3,180,295	6,026,620	171,318
Net pension liability	4,666,769	1,319,477	5,986,246	-
<b>Total liabilities</b>	<b>8,923,777</b>	<b>5,262,896</b>	<b>14,186,673</b>	<b>411,512</b>
<b>Deferred inflows of resources</b>				
Deferred pension amounts	697,684	294,081	991,765	-
<b>Net position</b>				
Net investment in capital assets	32,035,984	8,836,791	40,872,775	-
Restricted for:				
Debt service	297,237	350,000	647,237	-
Revolving loan	1,265,282	-	1,265,282	-
Housing and redevelopment	15	-	15	-
Streets	609,434	-	609,434	-
Historical	95,019	-	95,019	-
Improvement and replacement	-	2,675,454	2,675,454	-
Unrestricted (deficit)	4,205,629	5,414,296	9,619,925	(22,552)
<b>Total net position (deficit)</b>	<b>\$ 38,508,600</b>	<b>\$ 17,276,541</b>	<b>\$ 55,785,141</b>	<b>\$ (22,552)</b>

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

# CITY OF OWOSSO, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2016

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	\$ 1,365,288	\$ 231,083	\$ 79,188	\$ -	\$ (1,055,017)
Public safety	3,867,421	1,119,932	-	2,500	(2,744,989)
Public works	2,786,798	106,742	1,348,218	-	(1,331,838)
Community and economic development	360,525	230,260	-	5,000	(125,265)
Recreation and culture	338,375	24,607	18,110	-	(295,658)
Interest on debt	113,153	-	-	-	(113,153)
<b>Total governmental activities</b>	<b>8,831,560</b>	<b>1,712,624</b>	<b>1,445,516</b>	<b>7,500</b>	<b>(5,665,920)</b>
Business-type activities:					
Water	2,332,761	2,669,739	97,376	-	434,354
Sewer	1,818,710	1,579,954	465,221	-	226,465
Wastewater	1,701,076	1,618,000	3,154	-	(79,922)
Transportation	71,264	-	-	-	(71,264)
<b>Total business-type activities</b>	<b>5,923,811</b>	<b>5,867,693</b>	<b>565,751</b>	<b>-</b>	<b>509,633</b>
<b>Total primary government</b>	<b>\$ 14,755,371</b>	<b>\$ 7,580,317</b>	<b>\$ 2,011,267</b>	<b>\$ 7,500</b>	<b>\$ (5,156,287)</b>
Component units					
Downtown Development Authority	\$ 200,427	\$ 41	\$ 16,068	\$ -	\$ (184,318)
Brownfield Redevelopment Authority	138,928	-	8,818	-	(130,110)
<b>Total component units</b>	<b>\$ 339,355</b>	<b>\$ 41</b>	<b>\$ 24,886</b>	<b>\$ -</b>	<b>\$ (314,428)</b>

continued...

CITY OF OWOSSO, MICHIGAN

**Statement of Activities**  
For the Year Ended June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenues	\$ (5,665,920)	\$ 509,633	\$ (5,156,287)	\$ (314,428)
General revenues:				
Property taxes	3,453,738	71,221	3,524,959	292,087
Grants and contributions not restricted to specific programs	1,556,296	-	1,556,296	-
Unrestricted investment earnings	35,535	28,437	63,972	-
Miscellaneous revenue	251,741	-	251,741	-
Total general revenues	5,297,310	99,658	5,396,968	292,087
Change in net position	(368,610)	609,291	240,681	(22,341)
Net position (deficit), beginning of year	38,877,210	16,667,250	55,544,460	(211)
Net position (deficit), end of year	\$ 38,508,600	\$ 17,276,541	\$ 55,785,141	\$ (22,552)

concluded.

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

## FUND FINANCIAL STATEMENTS

CITY OF OWOSSO, MICHIGAN

**Balance Sheet**  
 Governmental Funds  
 June 30, 2016

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 8,088,838	\$ -	\$ 1,507,169	\$ 9,596,007
Receivables, net:				
Accounts	889,425	200,619	426,350	1,516,394
Delinquent taxes	10,361	-	-	10,361
Special assessments	-	-	313,985	313,985
Due from other governments	100,068	-	-	100,068
Due from other funds	98,336	37,289	1,074,732	1,210,357
Inventories	139,596	-	-	139,596
Prepays	20,062	-	-	20,062
Land held for sale	-	-	238,000	238,000
<b>Total assets</b>	<b>\$ 9,346,686</b>	<b>\$ 237,908</b>	<b>\$ 3,560,236</b>	<b>\$ 13,144,830</b>
<b>Liabilities</b>				
Accounts payable	\$ 228,721	\$ 56,449	\$ 23,618	\$ 308,788
Accrued liabilities	104,622	-	119,191	223,813
Accrued wages	144,985	2,104	3,817	150,906
Due to other funds	3,798,917	16,791	316,949	4,132,657
Due to other governments	116,659	-	-	116,659
<b>Total liabilities</b>	<b>4,393,904</b>	<b>75,344</b>	<b>463,575</b>	<b>4,932,823</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessments	-	-	313,985	313,985
Unavailable revenue - other	503,686	-	-	503,686
<b>Total deferred inflows of resources</b>	<b>503,686</b>	<b>-</b>	<b>313,985</b>	<b>817,671</b>
<b>Fund balances</b>				
Nonspendable	159,658	-	-	159,658
Restricted	-	162,564	1,808,491	1,971,055
Committed	1,578,222	-	-	1,578,222
Assigned	1,546,473	-	974,185	2,520,658
Unassigned	1,164,743	-	-	1,164,743
<b>Total fund balances</b>	<b>4,449,096</b>	<b>162,564</b>	<b>2,782,676</b>	<b>7,394,336</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,346,686</b>	<b>\$ 237,908</b>	<b>\$ 3,560,236</b>	<b>\$ 13,144,830</b>

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

# CITY OF OWOSSO, MICHIGAN

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2016

Fund balances - total governmental funds	\$ 7,394,336
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.	149,587
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	4,813,935
Capital assets being depreciated, net	28,291,343
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.	
Unavailable revenue - special assessments	313,985
Unavailable revenue - other	503,686
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(4,666,769)
Pension related deferred outflows of resources	2,592,094
Pension related deferred inflows of resources	(697,684)
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	3,039,283
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	(18,053)
Long-term bonds and notes payable	(2,565,513)
Landfill remediation liability	(169,080)
Self insurance liability	(114,726)
Compensated absences	(357,824)
Net position of governmental activities	<u>\$ 38,508,600</u>

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

CITY OF OWOSSO, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2016

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 3,334,465	\$ -	\$ 119,273	\$ 3,453,738
Licenses and permits	230,260	-	-	230,260
Intergovernmental	1,549,203	1,002,292	435,024	2,986,519
Charges for services	1,341,583	-	23,216	1,364,799
Sales	-	-	3,187	3,187
Special assessments	-	26,331	80,411	106,742
Interest	35,026	-	509	35,535
Miscellaneous	255,576	-	30,483	286,059
<b>Total revenues</b>	<b>6,746,113</b>	<b>1,028,623</b>	<b>692,103</b>	<b>8,466,839</b>
<b>Expenditures</b>				
Current:				
General government	1,089,504	-	122,092	1,211,596
Public safety	3,772,294	-	-	3,772,294
Public works	952,130	686,802	619,891	2,258,823
Community and economic development	287,435	-	-	287,435
Recreation and culture	214,137	-	-	214,137
Capital outlay	-	-	29,778	29,778
Debt service:				
Principal	24,791	-	85,000	109,791
Interest and fiscal charges	1,466	-	113,487	114,953
<b>Total expenditures</b>	<b>6,341,757</b>	<b>686,802</b>	<b>970,248</b>	<b>7,998,807</b>
Revenues over (under) expenditures	404,356	341,821	(278,145)	468,032
<b>Other financing sources (uses)</b>				
Transfers in	-	-	279,984	279,984
Transfers out	(44,070)	(198,514)	(37,400)	(279,984)
<b>Total other financing sources (uses)</b>	<b>(44,070)</b>	<b>(198,514)</b>	<b>242,584</b>	<b>-</b>
Net change in fund balances	360,286	143,307	(35,561)	468,032
Fund balances, beginning of year	4,088,810	19,257	2,818,237	6,926,304
<b>Fund balances, end of year</b>	<b>\$ 4,449,096</b>	<b>\$ 162,564</b>	<b>\$ 2,782,676</b>	<b>\$ 7,394,336</b>

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

# CITY OF OWOSSO, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ 468,032
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Change in net position held with an agent for self-insurance.	(53,113)
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 assets purchased/constructed	554,171
Loss on disposal of capital assets	(28,420)
Depreciation expense	(1,324,969)
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 net change in long-term receivables	6,191
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	109,791
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 net pension liability and related deferred amounts	(295,079)
Change in accrual for compensated absences	(17,979)
Change in landfill remediation liability	(79,364)
Change in accrued interest payable on long-term debt	392
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.	
Change in net position of governmental activities internal service funds	<u>291,737</u>
Change in net position of governmental activities	<u>\$ (368,610)</u>

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

CITY OF OWOSSO, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 3,325,575	\$ 3,334,300	\$ 3,334,465	\$ 165
Licenses and permits	119,725	221,075	230,260	9,185
Intergovernmental	1,604,000	1,549,850	1,549,203	(647)
Charges for services	1,048,800	1,272,000	1,341,583	69,583
Interest revenue	35,000	27,700	35,026	7,326
Miscellaneous	12,000	263,450	255,576	(7,874)
<b>Total revenues</b>	<b>6,145,100</b>	<b>6,668,375</b>	<b>6,746,113</b>	<b>77,738</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,175,600	1,193,875	1,089,504	(104,371)
Public safety	3,596,675	3,846,125	3,772,294	(73,831)
Public works	934,025	1,099,850	952,130	(147,720)
Community and economic development	287,575	294,500	287,435	(7,065)
Recreation and culture	235,400	268,825	214,137	(54,688)
<b>Debt service:</b>				
Principal	24,806	24,806	24,791	(15)
Interest	1,469	1,469	1,466	(3)
<b>Total expenditures</b>	<b>6,255,550</b>	<b>6,729,450</b>	<b>6,341,757</b>	<b>(387,693)</b>
Revenue over (under) expenditures	(110,450)	(61,075)	404,356	465,431
<b>Other financing sources (uses)</b>				
Transfer in	133,900	62,500	-	(62,500)
Transfer out	(43,850)	(45,700)	(44,070)	(1,630)
<b>Total other financing sources (uses)</b>	<b>90,050</b>	<b>16,800</b>	<b>(44,070)</b>	<b>(60,870)</b>
Net change in fund balance	(20,400)	(44,275)	360,286	404,561
Fund balance, beginning of year	4,088,810	4,088,810	4,088,810	-
<b>Fund balance, end of year</b>	<b>\$ 4,068,410</b>	<b>\$ 4,044,535</b>	<b>\$ 4,449,096</b>	<b>\$ 404,561</b>

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

CITY OF OWOSSO, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual - Major Streets Fund  
 For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 843,000	\$ 907,700	\$ 1,002,292	\$ 94,592
Special assessments	17,550	88,725	26,331	(62,394)
<b>Total revenues</b>	<b>860,550</b>	<b>996,425</b>	<b>1,028,623</b>	<b>32,198</b>
<b>Expenditures</b>				
Public works	692,750	1,030,150	686,802	(343,348)
<b>Revenue over (under) expenditures</b>	<b>167,800</b>	<b>(33,725)</b>	<b>341,821</b>	<b>375,546</b>
<b>Other financing sources (uses)</b>				
Transfer in	-	243,000	-	(243,000)
Transfer out	(167,800)	(209,275)	(198,514)	(10,761)
<b>Total other financing sources (uses)</b>	<b>(167,800)</b>	<b>33,725</b>	<b>(198,514)</b>	<b>(232,239)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>143,307</b>	<b>143,307</b>
Fund balance, beginning of year	19,257	19,257	19,257	-
<b>Fund balance, end of year</b>	<b>\$ 19,257</b>	<b>\$ 19,257</b>	<b>\$ 162,564</b>	<b>\$ 143,307</b>

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

CITY OF OWOSSO, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Transportation Nonmajor Enterprise Fund	Total	Internal Service Fund
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 2,072,493	\$ 1,956,542	\$ 142,463	\$ -	\$ 4,171,498	\$ -
Receivables, net:						
Accounts	794,576	486,734	-	26	1,281,336	-
Interest	-	6,250	6,250	-	12,500	-
Due from other funds	404,427	360,478	161,017	-	925,922	2,020,426
Inventories	147,846	-	-	-	147,846	-
Total current assets	<u>3,419,342</u>	<u>2,810,004</u>	<u>309,730</u>	<u>26</u>	<u>6,539,102</u>	<u>2,020,426</u>
Noncurrent assets:						
Restricted cash	350,000	-	2,675,454	-	3,025,454	-
Capital assets not being depreciated	534,254	184,775	-	-	719,029	-
Capital assets being depreciated, net	8,001,935	1,630,405	1,932,208	-	11,564,548	1,250,503
Total noncurrent assets	<u>8,886,189</u>	<u>1,815,180</u>	<u>4,607,662</u>	<u>-</u>	<u>15,309,031</u>	<u>1,250,503</u>
Total assets	<u>12,305,531</u>	<u>4,625,184</u>	<u>4,917,392</u>	<u>26</u>	<u>21,848,133</u>	<u>3,270,929</u>
Deferred outflows of resources						
Deferred pension amounts	<u>473,172</u>	<u>94,634</u>	<u>441,627</u>	<u>-</u>	<u>1,009,433</u>	<u>-</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	79,663	33,278	48,758	-	161,699	26,619
Accrued liabilities	181,378	7,285	14,926	-	203,589	1,600
Due to other funds	16,551	4,277	3,220	-	24,048	-
Current portion of long-term debt	344,776	39,925	13,135	-	397,836	63,234
Total current liabilities	<u>622,368</u>	<u>84,765</u>	<u>80,039</u>	<u>-</u>	<u>787,172</u>	<u>91,453</u>
Noncurrent liabilities:						
Long-term debt, net of current portion	2,619,788	521,665	38,842	-	3,180,295	140,193
Net pension liability	618,505	123,701	577,271	-	1,319,477	-
Total noncurrent liabilities	<u>3,238,293</u>	<u>645,366</u>	<u>616,113</u>	<u>-</u>	<u>4,499,772</u>	<u>140,193</u>
Total liabilities	<u>3,860,661</u>	<u>730,131</u>	<u>696,152</u>	<u>-</u>	<u>5,286,944</u>	<u>231,646</u>
Deferred inflows of resources						
Deferred pension amounts	<u>137,850</u>	<u>27,570</u>	<u>128,661</u>	<u>-</u>	<u>294,081</u>	<u>-</u>
<b>Net position</b>						
Net investment in capital assets	5,631,189	1,273,394	1,932,208	-	8,836,791	1,056,020
Restricted for:						
Improvement and replacement	-	-	2,675,454	-	2,675,454	-
Debt service	350,000	-	-	-	350,000	-
Unrestricted (deficit)	<u>2,799,003</u>	<u>2,688,723</u>	<u>(73,456)</u>	<u>26</u>	<u>5,414,296</u>	<u>1,983,263</u>
Total net position	<u>\$ 8,780,192</u>	<u>\$ 3,962,117</u>	<u>\$ 4,534,206</u>	<u>\$ 26</u>	<u>\$ 17,276,541</u>	<u>\$ 3,039,283</u>

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

CITY OF OWOSSO, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Transportation Nonmajor Enterprise Fund	Total	Internal Service Fund
Operating revenues						
Charges for services	\$ 2,669,739	\$ 1,579,954	\$ 1,618,000	\$ -	\$ 5,867,693	\$ 708,598
Operating expenses						
Personnel services	890,483	150,164	660,271	-	1,700,918	107,801
Administrative and engineering services	200,000	40,000	176,002	-	416,002	28,500
Contractual and professional services	64,923	342,656	25,703	71,264	504,546	-
Supplies and chemicals	171,243	10,304	125,247	-	306,794	29,690
Utilities	140,547	2,306	219,191	-	362,044	-
Insurance	49,188	7,981	42,382	-	99,551	24,908
Equipment repairs	-	-	96,655	-	96,655	-
Maintenance	452,443	44,957	151,692	-	649,092	65,958
Plant charges	-	1,102,748	-	-	1,102,748	-
Depreciation	276,006	48,468	203,933	-	528,407	160,004
Total operating expenses	2,244,833	1,749,584	1,701,076	71,264	5,766,757	416,861
Operating income (loss)	424,906	(169,630)	(83,076)	(71,264)	100,936	291,737
Nonoperating revenues (expenses)						
Investment income	11,055	6,039	11,343	-	28,437	-
State grant	-	437,363	-	-	437,363	-
Reimbursement and miscellaneous	65,631	27,858	3,154	-	96,643	-
Permits	31,745	-	-	-	31,745	-
Property taxes	-	-	-	71,221	71,221	-
Interest expense	(87,928)	(14,201)	-	-	(102,129)	-
Loss on disposal of capital assets	-	(54,925)	-	-	(54,925)	-
Total nonoperating revenues	20,503	402,134	14,497	71,221	508,355	-
Change in net position	445,409	232,504	(68,579)	(43)	609,291	291,737
Net position, beginning of year	8,334,783	3,729,613	4,602,785	69	16,667,250	2,747,546
Net position, end of year	\$ 8,780,192	\$ 3,962,117	\$ 4,534,206	\$ 26	\$ 17,276,541	\$ 3,039,283

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

CITY OF OWOSSO, MICHIGAN

Statement of Cash Flows

Proprietary Funds  
For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Transportation Nonmajor Enterprise Fund	Total	Internal Service Fund
Cash flows from operating activities						
Cash received from customers and users	\$ 2,371,000	\$ 1,287,181	\$ 1,474,851	\$ 43	\$ 5,133,075	\$ -
Cash receipts for internal services provided	-	-	-	-	-	467,883
Cash payments to suppliers for goods and services	(1,082,420)	(1,598,644)	(803,536)	(71,264)	(3,555,864)	(124,856)
Cash payments to employees for services	(852,493)	(144,096)	(632,617)	-	(1,629,206)	(106,992)
Net cash provided by (used in) operating activities	436,087	(455,559)	38,698	(71,221)	(51,995)	236,035
Cash flows from noncapital financing activities						
Other non-operating receipts	97,376	27,858	3,154	71,221	199,609	-
Cash flows from capital and related financing activities						
Purchase of capital assets	(146,468)	(15,921)	(41,850)	-	(204,239)	(174,343)
Proceeds from the sale of capital assets	7,180	6,250	-	-	13,430	-
State grant receipts	-	437,363	-	-	437,363	-
Principal paid on debt	(305,000)	(35,000)	-	-	(340,000)	(61,692)
Interest paid on debt	(89,314)	(14,421)	-	-	(103,735)	-
Net cash provided by (used in) capital and related financing activities	(533,602)	378,271	(41,850)	-	(197,181)	(236,035)
Cash flows from investing activities						
Interest received on investments	11,055	6,039	11,343	-	28,437	-
Net change in cash and cash equivalents	10,916	(43,391)	11,345	-	(21,130)	-
Cash and investments, beginning of year	2,411,577	1,999,933	2,806,572	-	7,218,082	-
Cash and investments, end of year	\$ 2,422,493	\$ 1,956,542	\$ 2,817,917	\$ -	\$ 7,196,952	\$ -
Classified on the statement of net position as						
Cash and investments	\$ 2,072,493	\$ 1,956,542	\$ 142,463	\$ -	\$ 4,171,498	\$ -
Restricted cash	350,000	-	2,675,454	-	3,025,454	-
	\$ 2,422,493	\$ 1,956,542	\$ 2,817,917	\$ -	\$ 7,196,952	\$ -
Cash flows from operating activities						
Operating income (loss)	\$ 424,906	\$ (169,630)	\$ (83,076)	\$ (71,264)	\$ 100,936	\$ 291,737
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	276,006	48,468	203,933	-	528,407	160,004
Change in operating assets and liabilities that provided (used) cash:						
Accounts receivable	(19,561)	(661)	-	43	(20,179)	-
Due from other funds	(279,178)	(292,112)	(143,149)	-	(714,439)	(240,715)
Inventories	36,919	-	-	-	36,919	-
Accounts payable	19,520	(41,991)	33,300	-	10,829	24,200
Accrued liabilities	13,465	1,358	3,666	-	18,489	396
Due to other funds	(60,515)	(5,701)	36	-	(66,180)	-
Accrued compensated absences	6,708	1,146	7,357	-	15,211	413
Pension related amounts	17,817	3,564	16,631	-	38,012	-
Net cash provided by (used in) operating activities	\$ 436,087	\$ (455,559)	\$ 38,698	\$ (71,221)	\$ (51,995)	\$ 236,035

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

CITY OF OWOSSO, MICHIGAN

**Statement of Fiduciary Net Position**  
Fiduciary Funds

	December 31, 2015	June 30, 2016
	Pension Trust Fund	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 75,602	\$ 10
Cash held by ICMA	276,625	-
Investments, at fair value:		
Money market accounts	1,167,617	-
Equities	21,997,977	-
Bonds	8,709,968	-
Accounts receivable	1,200	-
Interest receivable	31,430	-
	<u>32,260,419</u>	<u>\$ 10</u>
<b>Total assets</b>		
<b>Liabilities</b>		
Accounts payable	312,283	-
Due to other governments	-	10
	<u>312,283</u>	<u>\$ 10</u>
<b>Total liabilities</b>		
<b>Net position</b>		
Restricted for employees' pension benefits	<u>\$ 31,948,136</u>	

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

# CITY OF OWOSSO, MICHIGAN

## Statement of Changes in Plan Net Position

Pension Trust Fund

For the Year Ended December 31, 2015

### Additions

Investment income:	
Interest and dividends	\$ 615,268
Net depreciation in fair value of investments	(521,825)
Total investment earnings	<u>93,443</u>
Investment expenses	<u>(101,488)</u>
Net investment income (loss)	<u>(8,045)</u>
Contributions:	
Employer	600,769
Plan members	<u>238,860</u>
Total contributions	<u>839,629</u>
Total additions	<u>831,584</u>
Deductions	
Benefit payments	2,504,312
Refunds of contributions	6,237
Administrative expenses	<u>56,618</u>
Total deductions	<u>2,567,167</u>
Change in net position	(1,735,583)
Net position, beginning of year	<u>33,683,719</u>
Net position, end of year	<u>\$ 31,948,136</u>

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

CITY OF OWOSSO, MICHIGAN

**Combining Statement of Net Position**

Discretely Presented Component Units  
June 30, 2016

	Downtown Development Authority	Brownfield Redevelopment Authority	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 76,282	\$ -	\$ 76,282
Accounts receivable	106,207	-	106,207
Due from other governments	-	116,659	116,659
Inventories	-	89,812	89,812
<b>Total assets</b>	<b>182,489</b>	<b>206,471</b>	<b>388,960</b>
<b>Liabilities</b>			
Accounts payable	11,306	109,805	121,111
Due to other governments	-	109,623	109,623
Long-term debt:			
Due within one year	-	9,460	9,460
Due in more than one year	-	171,318	171,318
<b>Total liabilities</b>	<b>11,306</b>	<b>400,206</b>	<b>411,512</b>
<b>Net position</b>			
Unrestricted (deficit)	<u>\$ 171,183</u>	<u>\$ (193,735)</u>	<u>\$ (22,552)</u>

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

CITY OF OWOSSO, MICHIGAN

Combining Statement of Activities  
Discretely Presented Component Units  
For the Year Ended June 30, 2016

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Program expenses			
Downtown Development Authority	\$ 200,427	\$ -	\$ 200,427
Brownfield Redevelopment Authority	-	138,928	138,928
Total program expenses	200,427	138,928	339,355
Program revenues			
Operating grants and contributions	-	8,818	8,818
Net program revenue (expense)	(200,427)	(130,110)	(330,537)
General revenues			
Property taxes	193,972	98,115	292,087
Other	16,109	-	16,109
Total general revenues	210,081	98,115	308,196
Change in net position	9,654	(31,995)	(22,341)
Net position (deficit), beginning of year	161,529	(161,740)	(211)
Net position (deficit), end of year	\$ 171,183	\$ (193,735)	\$ (22,552)

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

## NOTES TO FINANCIAL STATEMENTS

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### Reporting Entity

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

#### *Discretely Presented Component Units*

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

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

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

The Brownfield Redevelopment Authority was created to facilitate the implementation of plans relating to the identification and treatment of environmentally distressed areas to promote revitalization within the Brownfield Redevelopment Zone. The Brownfield governing body, which 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. Separate financial statements are not prepared.

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is 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, MICHIGAN

## 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 City reports the following major proprietary funds:

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

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

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*.

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

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

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

# CITY OF OWOSSO, MICHIGAN

## 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 supply system and sewage disposal system also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to connect new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

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

#### *Deposits and Investments*

The City's cash and cash equivalents include amounts in demand deposit accounts, certificates of deposit and short term investments with original maturities of three months or less from the date of acquisition. Investments, exclusive of certificates of deposit, are stated at fair value. Certificates of deposit are carried at cost plus accrued interest, since the original maturity dates are less than one year or the certificates are 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, MICHIGAN

## 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 would be reported as "unearned".

### *Restricted Assets*

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

### *Deferred Outflows of Resources*

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

### *Property Taxes*

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

### *Inventories and Prepaids*

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

### *Capital Assets*

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

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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.

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 furnishings	5-20
Other improvements	30-50
Road and sidewalks	50

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

### *Deferred Inflows of Resources*

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

### *Compensated Absences*

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

### *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.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

### *Fund Equity*

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance* is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the 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. There was a formal resolution by the City Council to commit an amount equal to 25% of the average of general fund expenditures based on a three-year moving average, from the general fund fund balance, to be used for budget stabilization. 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 an 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.

### *Pensions*

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

## 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.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 3. DEFICIT FUND EQUITY

The Brownfield Redevelopment Authority had a deficit net position at year-end of \$193,735. 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.

Following is a reconciliation of deposit and investment balances at year-end:

	Primary Government	Component Units	Totals
<b>Statement of Net Position</b>			
Cash and investments	\$ 13,767,505	\$ 76,282	\$ 13,843,787
Restricted cash	3,175,041	-	3,175,041
<b>Statement of Fiduciary Net Position</b>			
Pension Trust Fund:			
Cash and cash equivalents	75,602	-	75,602
Cash held by ICMA	276,625	-	276,625
Investments	31,875,562	-	31,875,562
Agency fund -			
Cash and cash equivalents	10	-	10
<b>Total</b>	<b>\$ 49,170,345</b>	<b>\$ 76,282</b>	<b>\$ 49,246,627</b>
<b>Deposits and investments</b>			
Checking and savings accounts			\$ 10,612,647
Investments			38,632,155
Cash on hand			1,825
<b>Total</b>			<b>\$ 49,246,627</b>

*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, 2016, the bank balance of deposits owned by the City was \$10,544,272. Approximately \$571,000 of the City's bank balance was covered by federal depository insurance. The remaining balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

*Custodial Credit Risk* - Investments. Following is a summary of the City's investments as of June 30, 2016 for the primary government, component units, and agency fund. The pension trust fund is as of December 31, 2015:

Investments:	
Money market funds	\$ 3,804,864
Equities	23,966,029
Corporate bonds	3,504,460
Municipal obligations	2,442,630
Government securities	<u>4,914,172</u>
 Total	 <u>\$ 38,632,155</u>

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2016, 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.

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.

	Primary Government	Pension Trust Fund	Total
Due < 1 year	\$ 462,864	\$ 1,362,561	\$ 1,825,425
Due in 1-5 years	1,688,431	4,914,581	6,603,012
Due in 6-10 years	-	1,484,822	1,484,822
Due in more than 10 years	-	986,779	986,779
No maturity	<u>4,605,298</u>	<u>23,126,819</u>	<u>27,732,117</u>
 Total	 <u>\$ 6,756,593</u>	 <u>\$ 31,875,562</u>	 <u>\$ 38,632,155</u>

### Moody's Rating

Money market funds	Not rated
Equities	Not rated
Corporate bonds	AAA-C
Municipal obligations	AA2-A3
Government securities	AAA

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

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

The Employee Retirement System's investment policy on credit risk for allowable debt securities follows the City. The credit rating for each investment type is identified in the above table for debt securities held at December 31, 2015.

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

*Fair Value Measurements.* The City categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable and are based on estimates and assumptions. These levels are determined by the City's investment managers. These are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in funds. The investment managers will request the information from the fund managers, if necessary.

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

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,804,864	\$ -	\$ -	\$ 3,804,864
Equities	23,966,029	-	-	23,966,029
Corporate bonds	-	3,504,460	-	3,504,460
Municipal obligations	-	2,442,630	-	2,442,630
Government securities	-	4,914,172	-	4,914,172
	<u>\$ 27,770,893</u>	<u>\$ 10,861,262</u>	<u>\$ -</u>	<u>\$ 38,632,155</u>

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 1,516,394	\$ 1,284,336	\$ 106,207
Taxes	13,861	-	-
Interest	-	12,500	-
Intergovernmental	100,068	-	116,659
Special assessments	313,985	-	-
	<hr/>	<hr/>	<hr/>
Total receivables	1,944,308	1,296,836	222,866
Less: Allowance for uncollectibles	(3,500)	(3,000)	-
	<hr/>	<hr/>	<hr/>
Receivables, net	<u>\$ 1,940,808</u>	<u>\$ 1,293,836</u>	<u>\$ 222,866</u>

Of the special assessment receivable balance approximately \$261,000 is not expected to 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	\$ 335,407	\$ 161,699	\$ 121,111
Due to other governments	116,659	-	109,623
Self-insurance liability	114,726	-	-
	<hr/>	<hr/>	<hr/>
	<u>\$ 566,792</u>	<u>\$ 161,699</u>	<u>\$ 230,734</u>

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

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

	Due from Other Funds	Due to Other Funds
General fund	\$ 98,336	\$ 3,798,917
Major streets fund	37,289	16,791
Nonmajor governmental funds	1,074,732	316,949
Water supply system fund	404,427	16,551
Sewage disposal system fund	360,478	4,277
Wastewater treatment system fund	161,017	3,220
Internal service fund	2,020,426	-
	<u>\$ 4,156,705</u>	<u>\$ 4,156,705</u>

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

For the year ended June 30, 2016, interfund transfers consisted of the following:

Transfers From	Transfers To Nonmajor Governmental Funds
General fund	\$ 44,070
Major streets fund	198,514
Nonmajor governmental funds	<u>37,400</u>
	<u>\$ 279,984</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 one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 8. CAPITAL ASSETS

#### Primary government

Capital asset activity for the primary government for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 4,649,453	\$ -	\$ (10,080)	\$ -	\$ 4,639,373
Construction in progress	25,307	149,255	-	-	174,562
	<u>4,674,760</u>	<u>149,255</u>	<u>(10,080)</u>	<u>-</u>	<u>4,813,935</u>
Capital assets, being depreciated:					
Roads and sidewalks	47,459,222	49,382	(18,340)	-	47,490,264
Land improvements	3,561,862	119,828	-	-	3,681,690
Buildings	2,799,608	-	-	-	2,799,608
Vehicles	3,643,100	337,550	(45,719)	-	3,934,931
Office furnishings	1,291,285	-	-	-	1,291,285
Machinery and equipment	2,284,389	72,499	(58,027)	-	2,298,861
	<u>61,039,466</u>	<u>579,259</u>	<u>(122,086)</u>	<u>-</u>	<u>61,496,639</u>
Less accumulated depreciation for:					
Roads and sidewalks	(21,370,023)	(949,183)	-	-	(22,319,206)
Land improvements	(2,006,498)	(132,338)	-	-	(2,138,836)
Buildings	(2,190,330)	(62,055)	-	-	(2,252,385)
Vehicles	(2,435,856)	(146,444)	45,719	-	(2,536,581)
Office furnishings	(1,145,664)	(33,537)	-	-	(1,179,201)
Machinery and equipment	(1,425,195)	(161,416)	58,027	-	(1,528,584)
	<u>(30,573,566)</u>	<u>(1,484,973)</u>	<u>103,746</u>	<u>-</u>	<u>(31,954,793)</u>
Total capital assets being depreciated, net	<u>30,465,900</u>	<u>(905,714)</u>	<u>(18,340)</u>	<u>-</u>	<u>29,541,846</u>
Governmental activities capital assets, net	<u>\$ 35,140,660</u>	<u>\$ (756,459)</u>	<u>\$ (28,420)</u>	<u>\$ -</u>	<u>\$ 34,355,781</u>

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 527,234	\$ -	\$ (59,930)	\$ -	\$ 467,304
Construction in progress	260,150	-	(8,425)	-	251,725
	<u>787,384</u>	<u>-</u>	<u>(68,355)</u>	<u>-</u>	<u>719,029</u>
Capital assets, being depreciated:					
Buildings	13,239,935	-	-	-	13,239,935
Improvements, other than buildings	10,851,725	111,685	-	-	10,963,410
Vehicles	13,792	34,782	-	-	48,574
Machinery and equipment	10,266,847	57,772	-	-	10,324,619
	<u>34,372,299</u>	<u>204,239</u>	<u>-</u>	<u>-</u>	<u>34,576,538</u>
Less accumulated depreciation for:					
Buildings	(7,202,375)	(254,871)	-	-	(7,457,246)
Improvements, other than buildings	(5,159,543)	(188,962)	-	-	(5,348,505)
Vehicles	(13,770)	(2,319)	-	-	(16,089)
Machinery and equipment	(10,107,895)	(82,255)	-	-	(10,190,150)
	<u>(22,483,583)</u>	<u>(528,407)</u>	<u>-</u>	<u>-</u>	<u>(23,011,990)</u>
Total capital assets being depreciated, net	<u>11,888,716</u>	<u>(324,168)</u>	<u>-</u>	<u>-</u>	<u>11,564,548</u>
Business-type activities capital assets, net	<u>\$ 12,676,100</u>	<u>\$ (324,168)</u>	<u>\$ (68,355)</u>	<u>\$ -</u>	<u>\$ 12,283,577</u>

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

Depreciation of governmental activities by function:

General government	\$ 135,669
Public safety	141,907
Public works	935,710
Community and economic development	18,135
Recreation and culture	93,548
Internal service fund	160,004
	<u>\$ 1,484,973</u>

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### Depreciation of business-type activities by function:

Water supply system	\$	276,006
Sewage disposal system		48,468
Wastewater treatment system		<u>203,933</u>
	<u>\$</u>	<u>528,407</u>

## 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
<b>Governmental Activities</b>					
2013 General Obligation Street bonds, \$990,000, due in annual installments of \$20,000 to \$70,000 through November 1, 2033, interest at 0.70% to 4.95%, payable semi-annually	\$ 970,000	\$ -	\$ (25,000)	\$ 945,000	\$ 30,000
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	770,000	-	(40,000)	730,000	40,000
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	885,000	-	(20,000)	865,000	30,000
2015 capital lease payable, \$324,271, due in annual installments of \$68,096 through June 10, 2019 including interest at 2.40%	256,175	-	(61,692)	194,483	63,234
					continued...

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities (concluded)</b>					
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	\$ 50,304	\$ -	\$ (24,791)	\$ 25,513	\$ 25,513
Total	2,931,479	-	(171,483)	2,759,996	188,747
Compensated absences	348,376	390,000	(371,608)	366,768	169,080
Landfill remediation liability	89,716	79,364	-	169,080	91,692
<b>Total governmental activities</b>	<b>\$ 3,369,571</b>	<b>\$ 469,364</b>	<b>\$ (543,091)</b>	<b>\$ 3,295,844</b>	<b>\$ 449,519</b>
<b>Business-type Activities</b>					
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	\$ 3,210,000	\$ -	\$ (305,000)	\$ 2,905,000	\$ 330,000
State Revolving Fund 2009 Sewer System, \$801,786, due in annual installments of \$30,000 to \$55,000 through April 1, 2028, interest at 2.50%, payable semi-annually	576,786	-	(35,000)	541,786	35,000
<b>Total business-type activities bonds</b>	<b>3,786,786</b>	<b>-</b>	<b>(340,000)</b>	<b>3,446,786</b>	<b>365,000</b>
Compensated absences	116,134	120,000	(104,789)	131,345	32,836
<b>Total business-type activities</b>	<b>\$ 3,902,920</b>	<b>\$ 120,000</b>	<b>\$ (444,789)</b>	<b>\$ 3,578,131</b>	<b>\$ 397,836</b>
<b>Discretely-Presented Component Units</b>					
Cass Street loan from primary government	\$ 187,678	\$ 4,000	\$ (10,900)	\$ 180,778	\$ 9,460

The capital lease payable is for a Vactor vehicle with a cost of \$404,771 and accumulated depreciation of \$67,462 as of June 30, 2016.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 188,747	\$ 114,387	\$ 365,000	\$ 93,456
2018	179,814	108,838	390,000	84,080
2019	196,435	103,112	425,000	73,881
2020	140,000	96,650	450,000	60,956
2021	150,000	91,322	485,000	47,131
2022-2026	840,000	357,749	1,225,000	63,715
2027-2031	860,000	149,267	106,786	3,962
2032-2034	205,000	15,384	-	-
	<u>\$ 2,759,996</u>	<u>\$ 1,036,709</u>	<u>\$ 3,446,786</u>	<u>\$ 427,181</u>

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

Year Ended June 30,	Principal	Interest
2017	\$ 9,460	\$ 9,461
2018	10,028	8,894
2019	10,630	8,292
2020	11,246	7,675
2021	11,942	6,980
2022-2026	71,343	23,265
2027	56,129	1,982
	<u>\$ 180,778</u>	<u>\$ 66,549</u>

Compensated absences of the governmental activities are generally liquidated by the general fund and the internal service fund.

### 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 balance of the defeased debt outstanding at year end was \$2,940,000.

The City has pledged substantially all revenue of the water supply system fund, net of operating expenses, to repay the above water supply system revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply system. The bonds are payable solely from the net revenue of the water supply system fund. During the current year, net revenue of the system was \$809,343 compared to the annual debt requirements of approximately \$394,000.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 10. RESTRICTED ASSETS

The balances of the restricted asset accounts are as follows:

	Governmental Activities	Business-type Activities
MMRMA-self insurance	\$ 149,587	\$ -
Revenue bond restrictions:		
Revenue bond reserve	-	350,000
Improvement and replacement fund	-	2,675,454
	<u>\$ 149,587</u>	<u>\$ 3,025,454</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 ("MMRMA") (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remain with the City.

At June 30, 2016, the City has \$149,587 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:

	2016	2015
Unpaid claims - beginning of year	\$ 101,116	\$ 63,262
Incurred claims (including claims incurred but not reported)	108,032	142,854
Claim payments	<u>(94,422)</u>	<u>(105,000)</u>
Unpaid claims - end of year	114,726	101,116
Assets held on deposit with Authority	<u>149,587</u>	<u>189,090</u>
Net position - end of year	<u>\$ 34,861</u>	<u>\$ 87,974</u>

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 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. PENSION PLAN - SINGLE EMPLOYER PENSION TRUST FUND

#### *Employees' Retirement System*

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

*Plan Membership.* At December 31, 2015, the date of the most recent valuation, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	83
Inactive, nonretired members	6
Current active members	<u>56</u>
Total membership	<u><u>145</u></u>

*Benefits Provided.* Employees who retire with minimum age and years of service requirements are entitled to annual retirement benefits, payable in monthly installments for life, in an amount equal to a percentage of their final average compensation times years of credited service. Final average compensation is defined as the average of the highest annual compensation paid over 3 consecutive years of credited service within the last 10 years of credited service immediately preceding a member's termination of employment.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

*Contributions.* The contributions requirements of Plan members are established and may be amended by the City Council in accordance with City's policies, union contracts, and Plan provisions. The City is required to contribute at an actuarially determined rate expressed as a percentage of covered payroll. The current rate ranges from 7.0% to 12.0% of annual covered payroll depending on the employee group. Plan members of the general, police non-union and fire contribute at rates of 6.0%, 6.0% and 7.0%, respectively, of their annual salary. The police union members contribute any amount over the City's maximum contribution of 11.0%.

*Rate of Return.* For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -1.28%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Actuarial Assumptions.* The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied consistently to all periods included in the measurement:

Wage inflation	3.00%
Price inflation	No explicit price inflation assumption was used
Salary increases	3.00% to 13.0% including inflation
Investment rate of return	7.25%, net of expenses
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables projected to 2020 using Projection Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study as of December 31, 2013.

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

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2015, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equities	52.00%	8.00%	4.16%
International equities	15.00%	7.60%	1.14%
Domestic fixed income	22.50%	2.70%	0.61%
Global fixed income	7.50%	3.00%	0.23%
Cash and cash equivalents	<u>3.00%</u>	1.00%	<u>0.03%</u>
	<u>100.00%</u>		6.17%
Inflation			2.00%
Risk adjustments			<u>-0.92%</u>
Investment rate of return			<u>7.25%</u>

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

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014	\$ 36,714,272	\$ 33,683,719	\$ 3,030,553
Changes for the year:			
Service cost	442,936	-	442,936
Interest	2,586,834	-	2,586,834
Differences between expected and actual experience	(373,598)	-	(373,598)
Changes in assumptions	(814,031)	-	(814,031)
Employer contributions	-	600,769	(600,769)
Employee contributions	-	238,860	(238,860)
Net investment income (loss)	-	(8,045)	8,045
Benefit payments, including refunds of employee contributions	(2,510,549)	(2,510,549)	-
Administrative expense	-	(56,618)	56,618
Other	25,639	-	25,639
Net changes	<u>(642,769)</u>	<u>(1,735,583)</u>	<u>1,092,814</u>
Balances at December 31, 2015	<u>\$ 36,071,503</u>	<u>\$ 31,948,136</u>	<u>\$ 4,123,367</u>

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net pension liability (asset)	\$ 7,891,952	\$ 4,123,367	\$ 908,447

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

For the year ended June 30, 2016, the City recognized pension expense of \$837,915. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 188,641	\$ 289,095	\$ (100,454)
Changes in assumptions	-	629,907	(629,907)
Net difference between projected and actual earnings on pension plan investments	2,288,201	-	2,288,201
	<u>2,476,842</u>	<u>919,002</u>	<u>1,557,840</u>
Contributions subsequent to measurement date	677,637	-	677,637
	<u>3,154,479</u>	<u>919,002</u>	<u>2,235,477</u>
<b>Total</b>	<b>\$ 3,154,479</b>	<b>\$ 919,002</b>	<b>\$ 2,235,477</b>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 409,208
2018	409,208
2019	362,044
2020	<u>377,380</u>
<b>Total</b>	<b>\$ 1,557,840</b>

*Payable to the Pension Plan.* At June 30, 2016, the City did not have any outstanding contributions due to the pension plan required for the year ended June 30, 2016.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 14. PENSION PLAN - AGENT MULTIPLE-EMPLOYER PLAN

#### *General Information About the Plan*

*Plan Description.* The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

*Benefits Provided.* Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 year period) and multipliers ranging from 2.00% to 2.80%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 55 with 15 years of service or age 50 with 25 years of service. Members contribute 12.00% of their annual salary.

*Employees Covered by Benefit Terms.* At December 31, 2015, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>5</u>
 Total membership	 <u><u>21</u></u>

*Contributions.* The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions are 22.48% of annual payroll.

*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense and including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.50%	5.02%	2.89%
Global fixed income	20.00%	2.18%	0.44%
Real assets	12.50%	4.23%	0.53%
Diversifying strategies	<u>10.00%</u>	6.54%	0.64%
	<u>100.00%</u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.50%</u>
Investment rate of return			<u>8.25%</u>

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

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### *Changes in Net Pension Liability*

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014	\$ 4,614,594	\$ 3,270,526	\$ 1,344,068
Changes for the year:			
Service cost	59,072	-	59,072
Interest	367,218	-	367,218
Differences between expected and actual experience	(109,144)	-	(109,144)
Changes in assumptions	203,319	-	203,319
Changes in benefits	50,916	-	50,916
Employer contributions	-	45,863	(45,863)
Employee contributions	-	59,586	(59,586)
Net investment income (loss)	-	(45,980)	45,980
Benefit payments, including refunds of employee contributions	(385,997)	(385,997)	-
Administrative expense	-	(6,899)	6,899
Net changes	<u>185,384</u>	<u>(333,427)</u>	<u>518,811</u>
Balances at December 31, 2015	<u>\$ 4,799,978</u>	<u>\$ 2,937,099</u>	<u>\$ 1,862,879</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 8.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's net pension liability	\$ 2,353,801	\$ 1,862,879	\$ 1,448,432

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

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

For the year ended June 30, 2016, the City recognized pension expense of \$270,469. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 72,763	\$ (72,763)
Changes in assumptions	135,546	-	135,546
Net difference between projected and actual earnings on pension plan investments	<u>266,612</u>	<u>-</u>	<u>266,612</u>
	402,158	72,763	329,395
Contributions subsequent to the measurement date	<u>44,890</u>	<u>-</u>	<u>44,890</u>
<b>Total</b>	<b><u>\$ 447,048</u></b>	<b><u>\$ 72,763</u></b>	<b><u>\$ 374,285</u></b>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2017. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 103,910
2018	103,909
2019	60,788
2020	<u>60,788</u>
<b>Total</b>	<b><u>\$ 329,395</u></b>

*Payable to the Pension Plan.* At June 30, 2016, the City had \$7,342 in outstanding contributions due to the pension plan required for the year ended June 30, 2016.

## 15. DEFINED CONTRIBUTION RETIREMENT PLAN

The City provides pension benefits to the city manager position along with new employees under the AFSCME and general union agreements with a defined contribution plan administered under ICMA for which the City provides employer contributions. In accordance with these requirements, the City contributed \$59,493 during the current year and employees contributed \$57,872 during the year. At June 30, 2016, the City's had no outstanding amounts due to the Plan.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 16. CONSTRUCTION CODE FEES

The City oversees building construction, in accordance with the State's construction Code Act, including inspection of building construction and renovation to ensure compliance with the 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, 2015	\$ (231,803)
Current year building permit revenue	217,090
Related expenses - Direct costs	<u>(30,413)</u>
Cumulative shortfall at June 30, 2016	<u>\$ (45,126)</u>

### 17. POLLUTION REMEDIATION

The Michigan Department of Environmental Quality (MDEQ), has entered into a consent agreement with the named responsible parties for remediation costs related to the former Shiawassee Sanitary Landfill site. The City's share of those costs based on a bid award was \$258,795. The site was privately owned and operated in a neighboring township and ceased business decades ago. Costs to the City relate to it being a customer, and its alleged contribution to the pollution. The last installment was paid by the City in November 2016.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 18. FUND BALANCE CLASSIFICATIONS

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventories	\$ 139,596	\$ -	\$ -	\$ 139,596
Prepays	20,062	-	-	20,062
Total nonspendable	<u>159,658</u>	<u>-</u>	<u>-</u>	<u>159,658</u>
Restricted for:				
Debt service	-	-	1,305	1,305
Housing	-	-	15	15
Historical	-	-	95,019	95,019
Street capital projects	-	-	440,199	440,199
Revolving loans	-	-	1,265,282	1,265,282
Streets	-	162,564	6,671	169,235
Total restricted	<u>-</u>	<u>162,564</u>	<u>1,808,491</u>	<u>1,971,055</u>
Committed for -				
Budget stabilization	<u>1,578,222</u>	<u>-</u>	<u>-</u>	<u>1,578,222</u>
Assigned for:				
Capital projects	-	-	844,628	844,628
Building Authority	-	-	35,964	35,964
DDA construction	-	-	35,615	35,615
Subdivision	-	-	57,978	57,978
Subdivision debt	238,000	-	-	238,000
Pollution remediation	169,080	-	-	169,080
Compensated absences	366,768	-	-	366,768
Special assessment	100,000	-	-	100,000
Economic development	500,000	-	-	500,000
Owosso drain	172,625	-	-	172,625
Total assigned	<u>1,546,473</u>	<u>-</u>	<u>974,185</u>	<u>2,520,658</u>
Unassigned	<u>1,164,743</u>	<u>-</u>	<u>-</u>	<u>1,164,743</u>
Total fund balances - governmental funds	<u>\$ 4,449,096</u>	<u>\$ 162,564</u>	<u>\$ 2,782,676</u>	<u>\$ 7,394,336</u>

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 19. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2016, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Being depreciated, net	\$ 29,541,846	\$ 11,564,548
Not being depreciated	4,813,935	719,029
	<u>34,355,781</u>	<u>12,283,577</u>
Related debt:		
Bonds and notes payable	2,759,996	3,446,786
Less unspent bond proceeds	<u>(440,199)</u>	<u>-</u>
Net investment in capital assets	<u>\$ 32,035,984</u>	<u>\$ 8,836,791</u>

### 20. SUBSEQUENT EVENTS

Subsequent to year end the City entered into a contract to construct a roadway and extend a watermain to service the Cargill and Sonoco property in the amount of approximately \$1,600,000.

■ ■ ■ ■ ■

## REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF OWOSSO, MICHIGAN

## Required Supplementary Information Employees' Retirement System Single Employer Pension Plan

### Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended June 30, 2016	Year Ended June 30, 2015
Total pension liability		
Service cost	\$ 442,936	\$ 476,628
Interest	2,586,834	2,525,333
Differences between expected and actual experience	(373,598)	345,843
Changes in assumptions	(814,031)	-
Benefit payments, including refunds of employee contributions	(2,510,549)	(2,454,795)
Other	25,639	-
Net change in total pension liability	<u>(642,769)</u>	<u>893,009</u>
Total pension liability, beginning of year	<u>36,714,272</u>	<u>35,821,263</u>
Total pension liability, end of year	<u>36,071,503</u>	<u>36,714,272</u>
Plan fiduciary net position		
Employer contributions	600,769	701,388
Employee contributions	238,860	221,638
Net investment income (loss)	(8,045)	1,858,842
Benefit payments, including refunds of employee contributions	(2,510,549)	(2,454,795)
Administrative expense	(56,618)	(36,025)
Net change in plan fiduciary net position	<u>(1,735,583)</u>	<u>291,048</u>
Plan fiduciary net position, beginning of year	<u>33,683,719</u>	<u>33,392,671</u>
Plan fiduciary net position, end of year	<u>31,948,136</u>	<u>33,683,719</u>
City's net pension liability	<u>\$ 4,123,367</u>	<u>\$ 3,030,553</u>
Plan fiduciary net position as a percentage of total pension liability	88.6%	91.7%
Covered-employee payroll	\$ 2,891,530	\$ 2,938,821
City's net pension liability as a percentage of covered-employee payroll	142.6%	103.1%

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

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

CITY OF OWOSSO, MICHIGAN

**Required Supplementary Information**  
 Employees' Retirement System Single Employer Pension Plan

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 36,714,272	\$ 33,683,719	\$ 3,030,553	91.7%	\$ 2,938,821	103.1%
2016	36,071,503	31,948,136	4,123,367	88.6%	2,891,530	142.6%

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

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

# CITY OF OWOSSO, MICHIGAN

## Required Supplementary Information Employees' Retirement System Single Employer Pension Plan

### Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2015	\$ 559,281	\$ 559,281	\$ -	\$ 3,028,775	18.5%
2016	600,769	600,769	-	2,761,338	21.8%

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

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

#### Notes to Schedule of Contributions

**Valuation Date** Actuarially determined contribution rates are calculated as of December 31 each year, which is 6 months prior to the City's fiscal year in which contributions are reported.

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal for open groups, aggregate for closed groups
Amortization method	Level percent of payroll for open groups, dollar level for closed groups
Remaining amortization period	14-year closed period
Asset valuation method	4-year smooth market
Wage inflation	3.00%
Price inflation	No explicit price inflation assumption was used
Salary increases	3.00% to 13.0% including inflation
Investment rate of return	7.25%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Mortality Table projected to 2020 using Projection Scale AA.

# CITY OF OWOSSO, MICHIGAN

## Required Supplementary Information Employees' Retirement System Single Employer Pension Plan

### Schedule of Investment Returns

Fiscal Year Ending December 31,	Annual Return <sup>(1)</sup>
2014	0.36%
2015	-1.28%

<sup>(1)</sup> Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in the pension trust fund's fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# CITY OF OWOSSO, MICHIGAN

## Required Supplementary Information

### MERS Agent Multiple-Employer Defined Benefit Pension Plan

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

	Year Ended June 30, 2016	Year Ended June 30, 2015
<b>Total pension liability</b>		
Service cost	\$ 59,072	\$ 56,663
Interest	367,218	364,054
Differences between expected and actual experience	(109,144)	-
Changes in assumptions	203,319	-
Changes in benefits	50,916	
Benefit payments, including refunds of employee contributions	(385,997)	(381,134)
<b>Net change in total pension liability</b>	<u>185,384</u>	<u>39,583</u>
<b>Total pension liability, beginning of year</b>	<u>4,614,594</u>	<u>4,575,011</u>
<b>Total pension liability, end of year</b>	<u>4,799,978</u>	<u>4,614,594</u>
<b>Plan fiduciary net position</b>		
Employer contributions	45,863	50,484
Employee contributions	59,586	59,724
Net investment income (loss)	(45,980)	205,685
Benefit payments, including refunds of employee contributions	(385,997)	(381,134)
Administrative expense	(6,899)	(7,495)
<b>Net change in plan fiduciary net position</b>	<u>(333,427)</u>	<u>(72,736)</u>
<b>Plan fiduciary net position, beginning of year</b>	<u>3,270,526</u>	<u>3,343,262</u>
<b>Plan fiduciary net position, end of year</b>	<u>2,937,099</u>	<u>3,270,526</u>
<b>City's net pension liability</b>	<u>\$ 1,862,879</u>	<u>\$ 1,344,068</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	61.2%	70.9%
<b>Covered-employee payroll</b>	\$ 313,381	\$ 339,241
<b>City's net pension liability as a percentage of covered-employee payroll</b>	594.4%	396.2%

#### Notes:

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

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

CITY OF OWOSSO, MICHIGAN

**Required Supplementary Information**  
MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the City's Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 4,614,594	\$ 3,270,526	\$ 1,344,068	70.9%	\$ 339,241	396.2%
2016	4,799,978	2,937,099	1,862,879	61.2%	313,381	594.4%

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

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

CITY OF OWOSSO, MICHIGAN

**Required Supplementary Information**  
MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2015	\$ 46,402	\$ 46,402	\$ -	\$ 311,669	14.9%
2016	81,621	81,621	-	430,897	18.9%

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

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method Entry-age normal
- Amortization method Level percent of payroll
- Remaining amortization period 23 years
- Asset valuation method Open; 10-year smooth market
- Inflation 2.50%
- Salary increases 3.75% in the long-term
- Investment rate of return 7.75%, net of investment and administrative expenses including inflation
- Retirement age Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2015 actuarial valuations.
- Mortality Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

# CITY OF OWOSSO, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue	Debt Service	Capital Projects	Total
<b>Assets</b>				
Cash and investments	\$ 246,670	\$ 625	\$ 1,259,874	\$ 1,507,169
Receivables, net:				
Accounts	426,350	-	-	426,350
Special assessments	-	313,985	-	313,985
Due from other funds	975,599	680	98,453	1,074,732
Land held for sale	-	-	238,000	238,000
<b>Total assets</b>	<b>\$ 1,648,619</b>	<b>\$ 315,290</b>	<b>\$ 1,596,327</b>	<b>\$ 3,560,236</b>
<b>Liabilities</b>				
Accounts payable	\$ 23,618	\$ -	\$ -	\$ 23,618
Accrued liabilities	119,191	-	-	119,191
Accrued wages	3,817	-	-	3,817
Due to other funds	135,006	-	181,943	316,949
<b>Total liabilities</b>	<b>281,632</b>	<b>-</b>	<b>181,943</b>	<b>463,575</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessments	-	313,985	-	313,985
<b>Fund balances</b>				
Restricted	1,366,987	1,305	440,199	1,808,491
Assigned	-	-	974,185	974,185
<b>Total fund balances</b>	<b>1,366,987</b>	<b>1,305</b>	<b>1,414,384</b>	<b>2,782,676</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,648,619</b>	<b>\$ 315,290</b>	<b>\$ 1,596,327</b>	<b>\$ 3,560,236</b>

# CITY OF OWOSSO, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	Special Revenue	Debt Service	Capital Projects	Total
<b>Revenues</b>				
Property taxes	\$ -	\$ 119,273	\$ -	\$ 119,273
Intergovernmental	355,836	79,188	-	435,024
Charges for services	23,216	-	-	23,216
Sales	3,187	-	-	3,187
Special assessments	80,411	-	-	80,411
Interest	159	-	350	509
Miscellaneous	25,746	-	4,737	30,483
<b>Total revenues</b>	<b>488,555</b>	<b>198,461</b>	<b>5,087</b>	<b>692,103</b>
<b>Expenditures</b>				
Current:				
General government:				
General and administrative	111,008	-	-	111,008
Preservation and maintenance	10,134	-	-	10,134
Other	950	-	-	950
Public works:				
Preservation and maintenance	591,741	-	-	591,741
General and administrative	27,300	-	850	28,150
Capital outlay	-	-	29,778	29,778
Debt service:				
Principal	-	85,000	-	85,000
Interest	-	113,487	-	113,487
<b>Total expenditures</b>	<b>741,133</b>	<b>198,487</b>	<b>30,628</b>	<b>970,248</b>
Revenues over (under) expenditures	(252,578)	(26)	(25,541)	(278,145)
<b>Other financing sources (uses)</b>				
Transfers in	279,984	-	-	279,984
Transfers out	(37,400)	-	-	(37,400)
<b>Total other financing sources (uses)</b>	<b>242,584</b>	<b>-</b>	<b>-</b>	<b>242,584</b>
Net change in fund balances	(9,994)	(26)	(25,541)	(35,561)
Fund balances, beginning of year	1,376,981	1,331	1,439,925	2,818,237
<b>Fund balances, end of year</b>	<b>\$ 1,366,987</b>	<b>\$ 1,305</b>	<b>\$ 1,414,384</b>	<b>\$ 2,782,676</b>

# CITY OF OWOSSO, MICHIGAN

## Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2016

	Local Streets	Revolving Loan	Housing and Redevelopment
<b>Assets</b>			
Cash and investments	\$ -	\$ 141,819	\$ -
Receivables, net -			
Accounts	72,239	343,882	7,812
Due from other funds	78,197	779,581	117,821
<b>Total assets</b>	<u>\$ 150,436</u>	<u>\$ 1,265,282</u>	<u>\$ 125,633</u>
<b>Liabilities</b>			
Accounts payable	\$ 13,517	\$ -	\$ 7,227
Accrued liabilities	-	-	118,391
Accrued wages	2,398	-	-
Due to other funds	127,850	-	-
<b>Total liabilities</b>	<u>143,765</u>	<u>-</u>	<u>125,618</u>
<b>Fund balances</b>			
Restricted	<u>6,671</u>	<u>1,265,282</u>	<u>15</u>
<b>Total liabilities and fund balances</b>	<u>\$ 150,436</u>	<u>\$ 1,265,282</u>	<u>\$ 125,633</u>



Historical	Façade'	Total
\$ 104,851	\$ -	\$ 246,670
2,417	-	426,350
-	-	975,599
<u>\$ 107,268</u>	<u>\$ -</u>	<u>\$ 1,648,619</u>
\$ 2,874	\$ -	\$ 23,618
800	-	119,191
1,419	-	3,817
7,156	-	135,006
<u>12,249</u>	<u>-</u>	<u>281,632</u>
<u>95,019</u>	<u>-</u>	<u>1,366,987</u>
<u>\$ 107,268</u>	<u>\$ -</u>	<u>\$ 1,648,619</u>

# CITY OF OWOSSO, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2016

	Local Streets Fund	Revolving Loan	Housing and Redevelopment
<b>Revenues</b>			
Intergovernmental	\$ 345,926	\$ 4,910	\$ 5,000
Charges for services	-	-	9,432
Sales	-	-	-
Special assessments	80,411	-	-
Interest	-	50	-
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>426,337</b>	<b>4,960</b>	<b>14,432</b>
<b>Expenditures</b>			
Current:			
General government:			
General and administrative	-	-	48,331
Preservation and maintenance	-	-	-
Other	-	950	-
Public works:			
Preservation and maintenance	591,741	-	-
General and administrative	27,300	-	-
<b>Total expenditures</b>	<b>619,041</b>	<b>950</b>	<b>48,331</b>
<b>Revenues over (under) expenditures</b>	<b>(192,704)</b>	<b>4,010</b>	<b>(33,899)</b>
<b>Other financing sources (uses)</b>			
Transfers in	198,514	-	33,900
Transfers out	-	(37,400)	-
<b>Total other financing sources (uses)</b>	<b>198,514</b>	<b>(37,400)</b>	<b>33,900</b>
<b>Net change in fund balances</b>	<b>5,810</b>	<b>(33,390)</b>	<b>1</b>
<b>Fund balances, beginning of year</b>	<b>861</b>	<b>1,298,672</b>	<b>14</b>
<b>Fund balances, end of year</b>	<b>\$ 6,671</b>	<b>\$ 1,265,282</b>	<b>\$ 15</b>



Historical	Façade'	Total
\$ -	\$ -	\$ 355,836
13,784	-	23,216
3,187	-	3,187
-	-	80,411
109	-	159
25,746	-	25,746
<u>42,826</u>	<u>-</u>	<u>488,555</u>
62,677	-	111,008
10,134	-	10,134
-	-	950
-	-	591,741
-	-	27,300
<u>72,811</u>	<u>-</u>	<u>741,133</u>
<u>(29,985)</u>	<u>-</u>	<u>(252,578)</u>
44,070	3,500	279,984
-	-	(37,400)
<u>44,070</u>	<u>3,500</u>	<u>242,584</u>
14,085	3,500	(9,994)
<u>80,934</u>	<u>(3,500)</u>	<u>1,376,981</u>
<u>\$ 95,019</u>	<u>\$ -</u>	<u>\$ 1,366,987</u>

# CITY OF OWOSSO, MICHIGAN

## Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2016

	2013 General Obligation Bonds	2010 General Obligation Bonds	2009 Limited Tax General Obligation Bonds	2015 Special Assessment Limited Tax Bonds
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables, net -				
Special assessments	-	-	-	-
Due from other funds	667	13	-	-
<b>Total assets</b>	<b>\$ 667</b>	<b>\$ 13</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessments	\$ -	\$ -	\$ -	\$ -
<b>Fund balances</b>				
Restricted	667	13	-	-
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 667</b>	<b>\$ 13</b>	<b>\$ -</b>	<b>\$ -</b>

2014 Special Assessment Limited Tax Bonds	2013 Special Assessment Limited Tax Bonds	2012 Special Assessment Limited Tax Bonds	2011 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2009 Special Assessment Limited Tax Bonds	2008 Special Assessment Limited Tax Bonds
\$ 615	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ -
23,236	26,294	84,544	45,692	10,301	7,325	4,443
-	-	-	-	-	-	-
<u>\$ 23,851</u>	<u>\$ 26,294</u>	<u>\$ 84,544</u>	<u>\$ 45,692</u>	<u>\$ 10,301</u>	<u>\$ 7,335</u>	<u>\$ 4,443</u>
\$ 23,236	\$ 26,294	\$ 84,544	\$ 45,692	\$ 10,301	\$ 7,325	\$ 4,443
615	-	-	-	-	10	-
<u>\$ 23,851</u>	<u>\$ 26,294</u>	<u>\$ 84,544</u>	<u>\$ 45,692</u>	<u>\$ 10,301</u>	<u>\$ 7,335</u>	<u>\$ 4,443</u>

continued...

# CITY OF OWOSSO, MICHIGAN

## Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2016

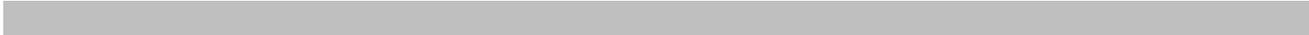
	2007 Special Assessment Limited Tax Bonds	2016 Special Assessment Limited Tax Bonds	Total
<b>Assets</b>			
Cash and investments	\$ -	\$ -	\$ 625
Receivables, net - Special assessments	4,194	107,956	313,985
Due from other funds	-	-	680
<b>Total assets</b>	<u>\$ 4,194</u>	<u>\$ 107,956</u>	<u>\$ 315,290</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - special assessments	\$ 4,194	\$ 107,956	\$ 313,985
<b>Fund balances</b>			
Restricted	-	-	1,305
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 4,194</u>	<u>\$ 107,956</u>	<u>\$ 315,290</u>

concluded.

CITY OF OWOSSO, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Debt Service Funds  
 For the Year Ended June 30, 2016

	2013 General Obligation Bonds	2010 General Obligation Bonds	2009 Limited Tax General Obligation Bonds	2015 Special Assessment Limited Tax Bonds
<b>Revenues</b>				
Property taxes	\$ 62,331	\$ 56,642	\$ -	\$ 300
Intergovernmental	-	-	79,188	-
<b>Total revenues</b>	<b>62,331</b>	<b>56,642</b>	<b>79,188</b>	<b>300</b>
<b>Expenditures</b>				
Debt service:				
Principal	25,000	20,000	40,000	-
Interest	37,331	36,642	39,188	300
<b>Total expenditures</b>	<b>62,331</b>	<b>56,642</b>	<b>79,188</b>	<b>300</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances, beginning of year	667	13	-	-
<b>Fund balances, end of year</b>	<b>\$ 667</b>	<b>\$ 13</b>	<b>\$ -</b>	<b>\$ -</b>



2014 Special Assessment Limited Tax Bonds	2013 Special Assessment Limited Tax Bonds	2012 Special Assessment Limited Tax Bonds	2011 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2009 Special Assessment Limited Tax Bonds	2008 Special Assessment Limited Tax Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	26	-
-	-	-	-	-	26	-
-	-	-	-	-	(26)	-
615	-	-	-	-	36	-
<u>\$ 615</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>	<u>\$ -</u>

continued...

CITY OF OWOSSO, MICHIGAN

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Nonmajor Debt Service Funds  
 For the Year Ended June 30, 2016

	2007 Special Assessment Limited Tax Bonds	2016 Special Assessment Limited Tax Bonds	Total
Revenues			
Property Taxes	\$ -	\$ -	\$ 119,273
Intergovernmental	-	-	79,188
Total revenues	-	-	198,461
Expenditures			
Debt service:			
Principal	-	-	85,000
Interest	-	-	113,487
Total expenditures	-	-	198,487
Net change in fund balances	-	-	(26)
Fund balances, beginning of year	-	-	1,331
Fund balances, end of year	\$ -	\$ -	\$ 1,305

concluded.

# CITY OF OWOSSO, MICHIGAN

## Combining Balance Sheet Nonmajor Capital Projects Funds June 30, 2016

	Capital Projects	2011 Street Program	Building Authority
<b>Assets</b>			
Cash and investments	\$ 844,628	\$ 377,710	\$ -
Due from other funds	-	62,489	35,964
Land held for sale	-	-	-
<b>Total assets</b>	<u>\$ 844,628</u>	<u>\$ 440,199</u>	<u>\$ 35,964</u>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ -	\$ -
<b>Fund balances</b>			
Restricted	-	440,199	-
Assigned	844,628	-	35,964
<b>Total fund balances</b>	<u>844,628</u>	<u>440,199</u>	<u>35,964</u>
<b>Total liabilities and fund balances</b>	<u>\$ 844,628</u>	<u>\$ 440,199</u>	<u>\$ 35,964</u>



DDA Construction Fund	Subdivision	Total
\$ 37,536	\$ -	\$ 1,259,874
-	-	98,453
-	238,000	238,000
<u>\$ 37,536</u>	<u>\$ 238,000</u>	<u>\$ 1,596,327</u>
<u>\$ 1,921</u>	<u>\$ 180,022</u>	<u>\$ 181,943</u>
-	-	440,199
35,615	57,978	974,185
<u>35,615</u>	<u>57,978</u>	<u>1,414,384</u>
<u>\$ 37,536</u>	<u>\$ 238,000</u>	<u>\$ 1,596,327</u>

# CITY OF OWOSSO, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Capital Projects Funds For the Year Ended June 30, 2016

	Capital Projects	2011 Street Program	Building Authority
Revenues			
Interest	\$ -	\$ 327	\$ -
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>327</b>	<b>-</b>
Expenditures			
Current:			
Public works:			
General and administrative	-	850	-
Capital outlay	-	-	29,778
<b>Total expenditures</b>	<b>-</b>	<b>850</b>	<b>29,778</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(523)</b>	<b>(29,778)</b>
Fund balances, beginning of year	844,628	440,722	65,742
<b>Fund balances, end of year</b>	<b>\$ 844,628</b>	<b>\$ 440,199</b>	<b>\$ 35,964</b>



DDA Construction Fund	Subdivision	Total
\$ 23	\$ -	\$ 350
-	4,737	4,737
<u>23</u>	<u>4,737</u>	<u>5,087</u>
-	-	850
-	-	<u>29,778</u>
-	-	<u>30,628</u>
23	4,737	(25,541)
<u>35,592</u>	<u>53,241</u>	<u>1,439,925</u>
<u>\$ 35,615</u>	<u>\$ 57,978</u>	<u>\$ 1,414,384</u>

# CITY OF OWOSSO, MICHIGAN

## Statement of Net Position and Governmental Fund Balance Sheet Brownfield Redevelopment Authority Component Unit June 30, 2016

	Balance Sheet	Adjustments	Statement of Net Position
<b>Assets</b>			
Due from other governments	\$ 116,659	\$ -	\$ 116,659
Inventories	89,812	-	89,812
<b>Total assets</b>	<u>\$ 206,471</u>	<u>-</u>	<u>206,471</u>
<b>Liabilities</b>			
Accounts payable	\$ 109,805	-	109,805
Due to other governments	96,048	13,575	109,623
Long-term debt:			
Due within one year	-	9,460	9,460
Due in more than one year	-	171,318	171,318
<b>Total liabilities</b>	<u>205,853</u>	<u>194,353</u>	<u>400,206</u>
<b>Fund balances</b>			
Unassigned	<u>618</u>	<u>(618)</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 206,471</u>		
<b>Net position</b>			
Unrestricted (deficit)		<u>\$ (193,735)</u>	<u>\$ (193,735)</u>

# CITY OF OWOSSO, MICHIGAN

## Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Change in Fund Balance Brownfield Redevelopment Authority Component Unit For the Year Ended June 30, 2016

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Revenues			
Intergovernmental	\$ 8,818	\$ -	\$ 8,818
Taxes	98,115	-	98,115
<b>Total revenues</b>	<b>106,933</b>	<b>-</b>	<b>106,933</b>
Expenditures/expenses			
Current			
Administration	2,896	-	2,896
Other	136,032	-	136,032
Capital outlay	-	-	-
Debt service - Principal	10,900	(10,900)	-
<b>Total expenditures</b>	<b>149,828</b>	<b>(10,900)</b>	<b>138,928</b>
Revenues over (under) expenditures/expenses	(42,895)	10,900	(31,995)
Other financing sources			
Issuance of debt	4,000	(4,000)	-
Net change in fund balance/net position	(38,895)	6,900	(31,995)
Fund balance/net position (deficit), beginning of year	39,513	(201,253)	(161,740)
Fund balance/net position (deficit), end of year	\$ 618	\$ (194,353)	\$ (193,735)

**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 27, 2016

To the City Council  
City of Owosso  
Owosso, MI

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, Michigan* (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 27, 2016.

#### Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.

*Rehmann Loban LLC*