

City of Owosso,
Michigan



Year Ended
June 30, 2014

Financial
Statements and
Supplemental
Information

CITY OF OWOSSO, MICHIGAN

ELECTED OFFICERS

For the Year Ended June 30, 2014

ADMINISTRATION

City Manager	Donald Crawford
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CITY COUNCIL

Mayor	Benjamin Frederick
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Mayor Pro-Tem	Christopher Eveleth
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Council Member	Loreen Bailey
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Council Member	David Bandkau
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Council Member	Burton Fox
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Council Member	Elaine Greenway
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Council Member	Robert Teich Jr
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CITY OF OWOSSO, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

December 11, 2014

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, 2014, 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, 2014, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the Pension Trust Fund has been reported using a short period of July 1, 2013 to December 31, 2013 in order to align the Pension Trust Fund's year end with that of the City of Owosso Employees' Retirement Plan's fiscal year end.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions for the pension 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, 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

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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, government-wide financial statements, fund financial statements, notes to the financial statements and required supplementary information, and other supplemental information. The information presented here should be read in conjunction with the financial statements and the notes to the financial statements that follow.

Financial Highlights

- The total net position for the City is \$58,142,229. Of this amount, \$10,337,767 is unrestricted and available for any City activity. The net position decreased \$139,717 from the prior fiscal year.
- Combined Program and General Revenue for the Primary Government activities amounted to \$13,946,486. Expenses of \$14,086,203 were above revenues by \$139,717.
- The combined fund balance at year end for the City's governmental funds was \$6,487,938. This was an increase of \$500,228 from the prior fiscal year.
- General Fund revenues exceeded expenditures and other financing uses by \$93,597, 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

- Governmental funds such as the general fund and major street fund focus on the financing of these areas in the short term and what remains for future spending.

CITY OF OWOSSO, MICHIGAN

Management's Discussion and Analysis

- 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 final sections include information regarding the City of Owosso. The required supplementary information would include 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 discretionary 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 \$58,142,229. This compares to last year's total of \$58,281,946 which was a decrease of \$139,717.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 9,574,404	\$ 9,031,188	\$ 7,997,981	\$ 7,343,658	\$17,572,385	\$16,374,846
Capital assets, net	35,939,065	36,148,714	13,214,702	13,712,351	49,153,767	49,861,065
Total assets	45,513,469	45,179,902	21,212,683	21,056,009	66,726,152	66,235,911
Other liabilities	665,336	621,590	284,217	247,654	949,553	869,244
Long-term liabilities	3,420,324	2,558,863	4,214,046	4,525,858	7,634,370	7,084,721
Total liabilities	4,085,660	3,180,453	4,498,263	4,773,512	8,583,923	7,953,965
Net position:						
Net investment in capital assets	33,570,563	34,115,914	9,112,916	9,320,565	42,683,479	43,436,479
Restricted	2,322,924	4,094,127	2,798,059	3,638,566	5,120,983	7,732,693
Unrestricted	5,534,322	3,789,408	4,803,445	3,323,366	10,337,767	7,112,774
Total net position	\$41,427,809	\$41,999,449	\$16,714,420	\$16,282,497	\$58,142,229	\$58,281,946

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 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 can be used strictly for certain purposes. 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 \$571,640. This decrease in net position occurred because of annual depreciation expenses of streets and sidewalks outpaced replacements.

The City of Owosso received gas and weight tax contributions of approximately \$1,069,000 and other capital and operating grant funds in the amount of approximately \$839,000. These account for the items under operating and capital grants and contributions for the governmental activities.

During the current year, governmental activities revenues increased by \$276,278. All primary governmental activities expenses increased in whole by \$470,573 due to grant funded public works projects.

During the current year, business-type activity revenues increased by \$47,440 and expenses increased \$246,565. This was mainly the result of non-capitalized replacements of machinery at the wastewater treatment plant.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 1,290,387	\$ 1,192,090	\$ 5,548,841	\$ 5,519,126	\$ 6,839,228	\$ 6,711,216
Operating grants and Contributions	1,540,852	1,147,573	-	-	1,540,852	1,147,573
Capital grants and Contributions	367,946	300,851	-	-	367,946	300,851
General revenues:						
Property taxes	3,354,812	3,495,681	75,342	58,956	3,430,154	3,554,637
State shared revenues	1,527,664	1,483,716	-	-	1,527,664	1,483,716
Other	227,696	413,168	12,946	11,607	240,642	424,775
Total revenues	<u>8,309,357</u>	<u>8,033,079</u>	<u>5,637,129</u>	<u>5,589,689</u>	<u>13,946,486</u>	<u>13,622,768</u>

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CITY OF OWOSSO, MICHIGAN

Management's Discussion and Analysis

	Change in Net Position (Concluded)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Expenses:						
General government	\$ 1,086,971	\$ 1,273,941	\$ -	\$ -	\$ 1,086,971	\$ 1,273,941
Public safety	3,463,618	3,503,932	-	-	3,463,618	3,503,932
Public works	3,079,640	2,567,372	-	-	3,079,640	2,567,372
Community and economic development	659,681	618,185	-	-	659,681	618,185
Recreation and culture	502,038	367,221	-	-	502,038	367,221
Water	-	-	2,059,890	2,034,540	2,059,890	2,034,540
Sewer	-	-	1,370,789	1,322,993	1,370,789	1,322,993
Wastewater	-	-	1,699,195	1,542,139	1,699,195	1,542,139
Transportation	-	-	75,332	58,969	75,332	58,969
Interest on debt	89,049	79,773	-	-	89,049	79,773
Total expenses	8,880,997	8,410,424	5,205,206	4,958,641	14,086,203	13,369,065
Change in net position	(571,640)	(377,345)	431,923	631,048	(139,717)	253,703
Net position:						
Beginning of year	41,999,449	42,376,794	16,282,497	15,651,449	58,281,946	58,028,243
End of year	<u>\$41,427,809</u>	<u>\$41,999,449</u>	<u>\$16,714,420</u>	<u>\$16,282,497</u>	<u>\$58,142,229</u>	<u>\$58,281,946</u>

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 \$6,487,938 or 76% 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 \$3,495,800. The General Fund fund balance increased by \$93,597 due to further spending restrictions, lower pension contributions and a continued health care cost shift to employees.

The Major Streets fund balance decreased from \$218,623 to \$8,566. The decrease is attributable to continued maintenance support of the Local Street Fund from gas and weight tax revenues. The Major Street fund is a major fund for accounting purposes and is presented separately in the basic financial statements.

The nonmajor funds include special revenue, debt service and capital project funds and have total fund balances of \$2,983,572. This was an increase in fund balance over the previous year of \$616,688. The increase represents unspent bond proceeds held for future street improvements.

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

CITY OF OWOSSO, MICHIGAN

Management's Discussion and Analysis

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 \$455,515 to \$8,090,399. The Sewage Disposal System Fund's net position increased \$184,168 to \$3,682,249. The Wastewater Treatment System Fund's net position decreased \$207,770 to \$4,941,699. The Water Supply System Fund's net position increased from a capital charge collected to replace water mains under streets slated for replacement. The Fund continues to benefit from a bond refinancing that lowered interest expense. 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. Equipment repairs and higher utility costs reduced the Wastewater Treatment System Fund's net position.

General Fund Budgetary Highlights

The General Fund accounts for public safety, public works, community development, recreation and administrative functions of the City government. The budget is monitored closely, and during the annual budget process, the City completes an extensive review of the current year budget, culminating in amendments to 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 decreased due to a one time buyout last year of firefighter accrued sick leave which also reduced the pension contribution in the current year. General government expenditures decreased from last year's expenditure for a thirty-six acre farm on the City's boundary.

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 \$42,683,479 (net of depreciation and related debt). The investment in capital assets covers a broad variety of land, buildings, machinery, equipment, roads, highways, and bridges. The net investment (net of related debt) in capital assets decreased \$753,000 due to a decrease investment in streets and sidewalks compared to annual depreciation of the same and the timing of related debt for future street improvements. Please see the Capital Assets footnote for further detail.

Long-Term Debt

At the end of the current fiscal year, the City had \$3,420,324 in bonds and other obligations outstanding and compensated absences for governmental activities and \$4,214,046 in bonds outstanding and compensated absences for business-type activities. Governmental activities long-term debt and obligations increased \$861,461 while business-type activities long-term debt decreased \$311,812. The main reasons for the increase was the issuance of a second and final series of voter authorized street bonds for \$990,000.

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

Economic Factors and Next Year's Budget and Rates

Tax revenues have stabilized with property values increasing a modest 1.5%. The state budget appropriate for revenue sharing from sales tax projects a 3.5% increase. Property taxes and revenue sharing comprise 71% of General Fund revenues. Expenditures for fiscal 2015 General Fund budget are in balance with only a 1% increase.

CITY OF OWOSSO, MICHIGAN

Management's Discussion and Analysis

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.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF OWOSSO, MICHIGAN

Statement of Net Position
June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 7,003,906	\$ 3,454,310	\$ 10,458,216	\$ 33,672
Receivables, net	2,254,759	1,253,692	3,508,451	146,333
Internal balances	(319,260)	319,260	-	-
Inventories	345,420	164,845	510,265	89,812
Prepays and other assets	25,749	7,815	33,564	-
Restricted cash and investments	263,830	2,798,059	3,061,889	-
Capital assets not being depreciated	5,028,106	804,234	5,832,340	-
Capital assets being depreciated, net	30,910,959	12,410,468	43,321,427	-
Total assets	45,513,469	21,212,683	66,726,152	269,817
Liabilities				
Accounts payable	512,624	107,943	620,567	120,377
Accrued and other liabilities	152,712	176,274	328,986	-
Long-term liabilities:				
Due within one year	309,629	343,100	652,729	7,945
Due in more than one year	3,110,695	3,870,946	6,981,641	184,570
Total liabilities	4,085,660	4,498,263	8,583,923	312,892
Net position				
Net investment in capital assets	33,570,563	9,112,916	42,683,479	-
Restricted for:				
Debt service	395,401	-	395,401	-
Specific purpose	1,927,523	-	1,927,523	-
Revenue bond reserve	-	350,000	350,000	-
Improvement and replacement	-	2,448,059	2,448,059	-
Unrestricted (deficit)	5,534,322	4,803,445	10,337,767	(43,075)
Total net position (deficit)	\$ 41,427,809	\$ 16,714,420	\$ 58,142,229	\$ (43,075)

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

CITY OF OWOSSO, MICHIGAN

Statement of Activities
For the Year Ended June 30, 2014

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	\$ 1,086,971	\$ 282,590	\$ 75,295	\$ -	\$ (729,086)
Public safety	3,463,618	690,710	1,000	64,978	(2,706,930)
Public works	3,079,640	158,330	1,190,399	302,968	(1,427,943)
Community and economic development	659,681	122,624	263,184	-	(273,873)
Recreation and culture	502,038	36,133	10,974	-	(454,931)
Interest on debt	89,049	-	-	-	(89,049)
Total governmental activities	8,880,997	1,290,387	1,540,852	367,946	(5,681,812)
Business-type activities:					
Water	2,059,890	2,509,624	-	-	449,734
Sewer	1,370,789	1,554,135	-	-	183,346
Wastewater	1,699,195	1,485,082	-	-	(214,113)
Shiawassee Area Transportation Authority	75,332	-	-	-	(75,332)
Total business-type activities	5,205,206	5,548,841	-	-	343,635
Total primary government	\$ 14,086,203	\$ 6,839,228	\$ 1,540,852	\$ 367,946	\$ (5,338,177)
Component units					
Downtown Development Authority	\$ 221,346	\$ 10,269	\$ 26,295	\$ -	\$ (184,782)
Brownfield Redevelopment Authority	57,310	-	8,262	-	(49,048)
Total component units	\$ 278,656	\$ 10,269	\$ 34,557	\$ -	\$ (233,830)

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CITY OF OWOSSO, MICHIGAN

Statement of Activities
For the Year Ended June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (5,681,812)	\$ 343,635	\$ (5,338,177)	\$ (233,830)
General revenues:				
Property taxes	3,354,812	75,342	3,430,154	225,451
Grants and contributions not restricted to specific programs	1,527,664	-	1,527,664	-
Unrestricted investment earnings	42,545	12,946	55,491	-
Miscellaneous revenue	185,151	-	185,151	-
Total general revenues	5,110,172	88,288	5,198,460	225,451
Change in net position	(571,640)	431,923	(139,717)	(8,379)
Net position (deficit), beginning of year	41,999,449	16,282,497	58,281,946	(34,696)
Net position (deficit), end of year	\$ 41,427,809	\$ 16,714,420	\$ 58,142,229	\$ (43,075)

Concluded

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

CITY OF OWOSSO, MICHIGAN

Balance Sheet
 Governmental Funds
 June 30, 2014

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 5,344,462	\$ -	\$ 1,659,444	\$ 7,003,906
Receivables, net:				
Accounts	762,980	121,596	827,892	1,712,468
Delinquent taxes	16,514	-	-	16,514
Special assessments	-	-	356,604	356,604
Accrued interest	-	-	699	699
Due from other governments	92,712	-	75,762	168,474
Due from other funds	369,737	30,198	699,070	1,099,005
Inventories	101,420	-	-	101,420
Land held for sale	-	-	244,000	244,000
Other assets	25,749	-	-	25,749
Total assets	\$ 6,713,574	\$ 151,794	\$ 3,863,471	\$ 10,728,839
Liabilities				
Accounts payable	\$ 170,037	\$ 68,686	\$ 68,172	\$ 306,895
Accrued liabilities	61,420	-	770	62,190
Accrued wages	84,460	1,592	3,434	89,486
Due to other funds	2,459,842	72,950	447,419	2,980,211
Due to other governmental units	112,094	-	-	112,094
Total liabilities	2,887,853	143,228	519,795	3,550,876
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	356,604	356,604
Unavailable revenue - other	329,921	-	3,500	333,421
Total deferred inflows of resources	329,921	-	360,104	690,025
Fund balances				
Nonspendable	127,169	-	-	127,169
Restricted	-	8,566	1,981,847	1,990,413
Committed	1,568,872	-	-	1,568,872
Assigned	1,146,128	-	1,001,725	2,147,853
Unassigned	653,631	-	-	653,631
Total fund balances	3,495,800	8,566	2,983,572	6,487,938
Total liabilities, deferred inflows of resources and fund balances	\$ 6,713,574	\$ 151,794	\$ 3,863,471	\$ 10,728,839

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

CITY OF OWOSSO, MICHIGAN

Reconciliation	
Fund Balances of Governmental Funds to Net Position of Governmental Activities June 30, 2014	
Fund balances - total governmental funds	\$ 6,487,938
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.	263,830
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	5,028,106
Capital assets being depreciated, net	30,036,832
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	356,604
Unavailable revenue - other	333,421
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.	
Net position of governmental activities accounted for in internal service funds	2,419,357
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	(24,093)
Long-term bonds and notes payable	(2,889,393)
Landfill remediation liability	(148,772)
Self insurance liability	(63,262)
Compensated absences and early retirement	(372,759)
	<hr/>
Net position of governmental activities	<u>\$ 41,427,809</u>

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

CITY OF OWOSSO, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2014

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 3,286,236	\$ -	\$ 68,576	\$ 3,354,812
Licenses and permits	122,624	-	-	122,624
Intergovernmental	1,610,234	893,041	628,720	3,131,995
Charges for services	952,329	-	36,651	988,980
Special assessments	-	41,652	116,678	158,330
Interest revenue	29,412	-	13,133	42,545
Miscellaneous revenues	182,579	-	58,541	241,120
Total revenues	6,183,414	934,693	922,299	8,040,406
Expenditures				
Current:				
General government	1,008,808	-	160,514	1,169,322
Public safety	3,384,866	-	-	3,384,866
Public works	968,124	900,237	820,405	2,688,766
Community and economic development	279,840	-	263,184	543,024
Parks and recreation	375,108	-	-	375,108
Capital outlay	-	-	146,285	146,285
Debt service:				
Principal	78,407	-	55,000	133,407
Interest and fiscal charges	10,937	-	78,463	89,400
Total expenditures	6,106,090	900,237	1,523,851	8,530,178
Revenues over (under) expenditures	77,324	34,456	(601,552)	(489,772)
Other financing sources (uses)				
Issuance of long-term debt	-	-	990,000	990,000
Transfers in	57,223	-	565,669	622,892
Transfers out	(40,950)	(244,513)	(337,429)	(622,892)
Total other financing sources (uses)	16,273	(244,513)	1,218,240	990,000
Net change in fund balances	93,597	(210,057)	616,688	500,228
Fund balances, beginning of year	3,402,203	218,623	2,366,884	5,987,710
Fund balances, end of year	\$ 3,495,800	\$ 8,566	\$ 2,983,572	\$ 6,487,938

The accompanying notes are an integral part of these 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, 2014

Net change in fund balances - total governmental funds	\$ 500,228
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.	13,435
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	896,378
Loss on sale of capital assets	(152,479)
Depreciation expense	(1,340,472)
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	36,812
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	133,407
Proceeds from issuance of long-term debt	(990,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in accrual for compensated absences	3,516
Change in accrued interest payable on long-term debt	8,724
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>318,811</u>
Change in net position of governmental activities	<u>\$ (571,640)</u>

The accompanying notes are an integral part of these 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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Taxes	\$ 3,288,675	\$ 3,286,150	\$ 3,286,236	\$ 86
Licenses and permits	110,050	113,425	122,624	9,199
Intergovernmental	1,577,500	1,609,150	1,610,234	1,084
Charges for services	945,800	1,020,450	952,329	(68,121)
Interest revenue	35,000	22,500	29,412	6,912
Miscellaneous revenue	11,500	147,250	182,579	35,329
Total revenues	5,968,525	6,198,925	6,183,414	(15,511)
Expenditures				
Current:				
General government	1,065,750	1,092,625	1,008,808	(83,817)
Public safety	3,407,225	3,489,875	3,384,866	(105,009)
Public works	895,975	1,065,075	968,124	(96,951)
Community and economic development	272,050	282,575	279,840	(2,735)
Parks and recreation	241,200	385,700	375,108	(10,592)
Debt service:				
Principal	87,275	81,250	78,407	(2,843)
Interest	8,100	8,100	10,937	2,837
Total expenditures	5,977,575	6,405,200	6,106,090	(299,110)
Revenue over (under) expenditures	(9,050)	(206,275)	77,324	283,599
Other financing sources (uses)				
Transfer in	-	57,000	57,223	223
Transfer out	(40,950)	(46,925)	(40,950)	(5,975)
Total other financing sources (uses)	(40,950)	10,075	16,273	6,198
Net change in fund balance	(50,000)	(196,200)	93,597	289,797
Fund balance, beginning of year	3,402,203	3,402,203	3,402,203	-
Fund balance, end of year	\$ 3,352,203	\$ 3,206,003	\$ 3,495,800	\$ 289,797

The accompanying notes are an integral part of these 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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 780,300	\$ 834,250	\$ 893,041	\$ 58,791
Special assessments	254,625	41,700	41,652	(48)
Total revenues	1,034,925	875,950	934,693	58,743
Expenditures				
Public works	1,112,000	936,900	900,237	(36,663)
Revenue over (under) expenditures	(77,075)	(60,950)	34,456	95,406
Other financing sources (uses)				
Transfer in	262,850	191,950	-	(191,950)
Transfer out	(185,775)	(349,600)	(244,513)	(105,087)
Total other financing sources (uses)	77,075	(157,650)	(244,513)	(86,863)
Net change in fund balance	-	(218,600)	(210,057)	8,543
Fund balance, beginning of year	218,623	218,623	218,623	-
Fund balance, end of year	\$ 218,623	\$ 23	\$ 8,566	\$ 8,543

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

CITY OF OWOSSO, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2014

	Enterprise Funds					Governmental Activities
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Fund	Total	Internal Service Fund
Assets						
Current assets:						
Cash and investments	\$ 1,505,719	\$ 1,598,641	\$ 349,950	\$ -	\$ 3,454,310	\$ -
Receivables, net:						
Accounts	759,547	481,572	-	73	1,241,192	-
Interest	-	6,250	6,250	-	12,500	-
Due from other funds	109,157	297,253	33,087	-	439,497	1,561,946
Prepays	-	-	7,815	-	7,815	-
Inventories	164,845	-	-	-	164,845	-
Total current assets	<u>2,539,268</u>	<u>2,383,716</u>	<u>397,102</u>	<u>73</u>	<u>5,320,159</u>	<u>1,561,946</u>
Noncurrent assets:						
Restricted cash	350,000	-	2,448,059	-	2,798,059	-
Capital assets not being depreciated	545,934	258,300	-	-	804,234	-
Capital assets being depreciated, net	8,405,809	1,709,226	2,295,433	-	12,410,468	874,127
Total noncurrent assets	<u>9,301,743</u>	<u>1,967,526</u>	<u>4,743,492</u>	<u>-</u>	<u>16,012,761</u>	<u>874,127</u>
Total assets	<u>11,841,011</u>	<u>4,351,242</u>	<u>5,140,594</u>	<u>73</u>	<u>21,332,920</u>	<u>2,436,073</u>
Liabilities						
Current liabilities:						
Accounts payable	38,576	33,827	35,540	-	107,943	6,280
Accrued liabilities	160,983	5,979	9,312	-	176,274	1,036
Due to other funds	14,622	-	105,615	-	120,237	-
Current portion of accrued compensated absences	11,600	4,400	12,100	-	28,100	2,400
Current portion of bonds and notes payable	280,000	35,000	-	-	315,000	-
Total current liabilities	<u>505,781</u>	<u>79,206</u>	<u>162,567</u>	<u>-</u>	<u>747,554</u>	<u>9,716</u>
Noncurrent liabilities, net of current portion:						
Accrued compensated absences	34,831	13,001	36,328	-	84,160	7,000
Bonds and notes payable	3,210,000	576,786	-	-	3,786,786	-
Total noncurrent liabilities	<u>3,244,831</u>	<u>589,787</u>	<u>36,328</u>	<u>-</u>	<u>3,870,946</u>	<u>7,000</u>
Total liabilities	<u>3,750,612</u>	<u>668,993</u>	<u>198,895</u>	<u>-</u>	<u>4,618,500</u>	<u>16,716</u>
Net position						
Net investment in capital assets	5,461,743	1,355,740	2,295,433	-	9,112,916	874,127
Restricted for:						
Improvement and replacement	-	-	2,448,059	-	2,448,059	-
Debt service	350,000	-	-	-	350,000	-
Unrestricted	2,278,656	2,326,509	198,207	73	4,803,445	1,545,230
Total net position	<u>\$ 8,090,399</u>	<u>\$ 3,682,249</u>	<u>\$ 4,941,699</u>	<u>\$ 73</u>	<u>\$ 16,714,420</u>	<u>\$ 2,419,357</u>

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

CITY OF OWOSSO, MICHIGAN

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2014

	Enterprise Funds					Governmental Activities
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Fund	Total	Internal Service Fund
Operating revenues						
Charges for services	\$ 2,422,488	\$ 1,520,947	\$ 1,482,000	\$ -	\$ 5,425,435	\$ 692,180
Property taxes	-	-	-	75,342	75,342	-
Total operating revenues	2,422,488	1,520,947	1,482,000	75,342	5,500,777	692,180
Operating expenses						
Personnel services	678,611	110,173	539,658	-	1,328,442	95,741
Administrative and engineering services	200,000	40,000	171,465	-	411,465	29,000
Contractual and professional services	58,168	31,999	29,942	75,332	195,441	-
Supplies and chemicals	177,483	8,653	132,120	-	318,256	62,342
Utilities	153,942	2,824	261,818	-	418,584	-
Insurance	43,157	9,870	40,381	-	93,408	19,848
Equipment repairs	-	-	162,994	-	162,994	-
Maintenance	366,743	61,365	159,674	-	587,782	71,442
Plant charges	-	1,043,282	-	-	1,043,282	-
Depreciation	276,811	46,672	201,143	-	524,626	124,160
Total operating expenses	1,954,915	1,354,838	1,699,195	75,332	5,084,280	402,533
Operating income (loss)	467,573	166,109	(217,195)	10	416,497	289,647
Nonoperating revenues (expenses)						
Investment income	5,781	822	6,343	-	12,946	-
Reimbursement and miscellaneous income	63,055	32,858	-	-	95,913	-
Permits	21,370	330	-	-	21,700	-
Miscellaneous	2,711	-	3,082	-	5,793	29,164
Interest expense	(104,975)	(15,951)	-	-	(120,926)	-
Total nonoperating revenues (expense)	(12,058)	18,059	9,425	-	15,426	29,164
Change in net position	455,515	184,168	(207,770)	10	431,923	318,811
Net position, beginning of year	7,634,884	3,498,081	5,149,469	63	16,282,497	2,100,546
Net position, end of year	\$ 8,090,399	\$ 3,682,249	\$ 4,941,699	\$ 73	\$ 16,714,420	\$ 2,419,357

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

CITY OF OWOSSO, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2014

	Enterprise Funds					Governmental
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Fund	Total	Internal Service Fund
Cash flows from operating activities						
Cash received from customers and users	\$ 2,369,942	\$ 1,284,595	\$ 1,448,913	\$ 75,332	\$ 5,178,782	\$ -
Cash payments to suppliers for goods and services	(994,933)	(1,164,962)	(888,269)	(75,332)	(3,123,496)	(181,102)
Cash payments to employees for services	(673,927)	(109,739)	(563,728)	-	(1,347,394)	(94,247)
Cash receipts for internal services provided	-	-	-	-	-	698,328
Net cash provided by (used in) operating activities	701,082	9,894	(3,084)	-	707,892	422,979
Cash flows from noncapital financing activities						
Other non-operating receipts	87,136	33,188	3,082	-	123,406	29,164
Cash flows from capital and related financing activities						
Purchase of capital assets	(26,977)	-	-	-	(26,977)	(511,084)
Proceeds from the sale of capital assets	-	-	-	-	-	88,105
Gain on sale of capital assets	-	-	-	-	-	(29,164)
Principal paid on debt	(255,000)	(35,000)	-	-	(290,000)	-
Interest paid on debt	(106,237)	(16,169)	-	-	(122,406)	-
Net cash provided by (used in) capital and related financing activities	(388,214)	(51,169)	-	-	(439,383)	(452,143)
Cash flows from investing activities						
Interest received on investments	5,781	(5,428)	93	-	446	-
Net increase (decrease) in cash and cash equivalents	405,785	(13,515)	91	-	392,361	-
Cash and cash equivalents, beginning of year	1,449,934	1,612,156	2,797,918	-	5,860,008	-
Cash and cash equivalents, end of year	\$ 1,855,719	\$ 1,598,641	\$ 2,798,009	\$ -	\$ 6,252,369	\$ -
Classified on the statement of net position as						
Cash and investments	\$ 1,505,719	\$ 1,598,641	\$ 349,950	\$ -	\$ 3,454,310	\$ -
Restricted cash	350,000	-	2,448,059	-	2,798,059	-
	\$ 1,855,719	\$ 1,598,641	\$ 2,798,009	\$ -	\$ 6,252,369	\$ -
Cash flows from operating activities						
Operating income (loss)	\$ 467,573	\$ 166,109	\$ (217,195)	\$ 10	\$ 416,497	\$ 289,647
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	276,811	46,672	201,143	-	524,626	124,160
Change in:						
Accounts receivable	(20,268)	(12,880)	-	(10)	(33,158)	-
Due from other funds	(32,278)	(223,472)	(33,087)	-	(288,837)	6,148
Prepays	-	-	(7,815)	-	(7,815)	-
Inventories	2,473	-	-	-	2,473	-
Accounts payable	(6,378)	33,031	8,530	-	35,183	1,530
Accrued liabilities	2,416	252	193	-	2,861	141
Due to other funds	8,465	-	69,410	-	77,875	-
Accrued compensated absences	2,268	182	(24,263)	-	(21,813)	1,353
Net cash provided by (used in) operating activities	\$ 701,082	\$ 9,894	\$ (3,084)	\$ -	\$ 707,892	\$ 422,979

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

CITY OF OWOSSO, MICHIGAN

Statement of Fiduciary Net Position
Fiduciary Funds

	December 31, 2013	June 30, 2014
	Pension Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 8,787	\$ 532
Cash held by ICMA	186,881	-
Investments, at fair value:		
Money market accounts	836,892	-
Stocks	21,225,970	-
Corporate bonds	11,229,550	-
Accounts receivable	5,582	83
Interest receivable	94,888	-
Total assets	<u>33,588,550</u>	<u>\$ 615</u>
Liabilities		
Accounts payable	195,879	521
Due to other governments	-	94
Total liabilities	<u>195,879</u>	<u>\$ 615</u>
Net position		
Restricted for employees' pension benefits	<u>\$ 33,392,671</u>	

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

CITY OF OWOSSO, MICHIGAN

Statement of Changes in Plan Net Position

Pension Trust Fund

For the Six Month Period Ended December 31, 2013

Additions

Contributions:	
Plan members	<u>\$ 108,885</u>
Investment income:	
Interest and dividends	1,065,729
Net appreciation in fair value of investments	<u>3,072,630</u>
Net investment income	<u>4,138,359</u>
Total additions	<u>4,247,244</u>
Deductions	
Benefit payments	1,162,716
Administrative expenses	<u>236,575</u>
Total deductions	<u>1,399,291</u>
Change in net position	2,847,953
Net position, beginning of year	<u>30,544,718</u>
Net position, end of year	<u><u>\$ 33,392,671</u></u>

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

CITY OF OWOSSO, MICHIGAN

Combining Statement of Net Position

Discretely Presented Component Units
June 30, 2014

	Downtown Development Authority	Brownfield Redevelopment Authority	Totals
Assets			
Cash and cash equivalents	\$ 33,672	\$ -	\$ 33,672
Accounts receivable	110,000	-	110,000
Due from other governments	-	36,333	36,333
Inventories	-	89,812	89,812
Total assets	143,672	126,145	269,817
Liabilities			
Accounts payable	3,072	25,113	28,185
Due to other governments	-	92,192	92,192
Notes payable:			
Due within one year	-	7,945	7,945
Due in more than one year	-	184,570	184,570
Total liabilities	3,072	309,820	312,892
Net position			
Nonspendable	110,000	-	110,000
Unrestricted (deficit)	30,600	(183,675)	(153,075)
Total net position	\$ 140,600	\$ (183,675)	\$ (43,075)

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

CITY OF OWOSSO, MICHIGAN

Combining Statement of Activities
 Discretely Presented Component Units
 For the Year Ended June 30, 2014

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Program expenses			
Downtown Development Authority	\$ 221,346	\$ -	\$ 221,346
Brownfield Redevelopment Authority	-	57,310	57,310
Total program expenses	221,346	57,310	278,656
Program revenues			
Operating grants and contributions	-	8,262	8,262
Net program revenue (expense)	(221,346)	(49,048)	(270,394)
General revenues			
Property taxes	177,227	48,224	225,451
Other revenue	36,564	-	36,564
Total general revenues	213,791	48,224	262,015
Change in net position	(7,555)	(824)	(8,379)
Net position (deficit), beginning of year	148,155	(182,851)	(34,696)
Net position (deficit), end of year	<u>\$ 140,600</u>	<u>\$ (183,675)</u>	<u>\$ (43,075)</u>

The accompanying notes are an integral part of these 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 or City Manager. These component units provide economic development and financing services to specific geographic areas within the City. These entities are fiscally dependent on the City because the City Council is responsible for approving any debt issuances and the annual operating budgets of all component units. All discretely presented component units use governmental fund type accounting. However, full accrual accounting is used for financial statement presentation.

The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The 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.

The Brownfield Redevelopment Authority was created to facilitate the implementation of plans relating to the identification and treatment of environmentally distressed areas to promote revitalization within the Brownfield Redevelopment Zone. The Brownfield governing body, which consists of seven individuals, is selected by the City Council and includes all members of the LDFA board. In addition, the Brownfield budget is subject to approval by the City Council.

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

CITY OF OWOSSO, 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*.

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

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

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, liabilities, deferred inflows of resources and equity

Deposits and investments

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

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

Receivables and payables

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

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

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

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

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 market value as of the donation date.

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

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

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

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

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

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

Deferred inflows of resources

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

Compensated absences

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

Long-term obligations

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

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

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

Fund equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City's management. Unassigned fund balance is the residual classification for the General Fund.

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

2. BUDGETARY INFORMATION

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

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

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

3. DEFICIT FUND EQUITY

The Brownfield Redevelopment Authority had a net deficit at the government-wide basis at year-end of \$183,675. The Brownfield Redevelopment Authority will capture property taxes in the future and use revenues from services to eliminate this deficit.

4. DEPOSITS AND INVESTMENTS

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

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

Following is a reconciliation of deposit and investment balances as of June 30, 2014:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and investments	\$ 10,458,216	\$ 33,672	\$ 10,491,888
Restricted cash	3,061,889	-	3,061,889
Statement of Net Position - Fiduciary Funds			
Pension Trust Fund:			
Cash and cash equivalents	8,787	-	8,787
Cash held by ICMA	186,881	-	186,881
Investments	33,292,412	-	33,292,412
Agency fund:			
Cash and cash equivalents	532	-	532
Total	\$ 47,008,717	\$ 33,672	\$ 47,042,389
Deposits and investments			
Checking and savings accounts			\$ 7,820,917
Investments			39,219,697
Cash on hand			1,775
Total			\$ 47,042,389

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, 2014, the carrying value of deposits owned by the City was \$7,770,398. Approximately \$821,000 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.

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2014:

Pooled investments:	
Money market funds	\$ 3,004,350
Equities	24,151,614
Corporate bonds	4,285,517
Municipal obligations	1,415,736
Government securities	6,362,480
Total	\$ 39,219,697

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, 2014, 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.

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

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	\$ -	\$ 505,106	\$ 505,106
Due in 1-5 years	956,709	5,794,745	6,751,454
Due in 6-10 years	-	2,873,146	2,873,146
Due in more than 10 years	-	1,934,027	1,934,027
No maturity	4,970,576	22,185,388	27,155,964
Total	\$ 5,927,285	\$ 33,292,412	\$ 39,219,697

Moody's Rating

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

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

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

The Employee Retirement System's investment policy on credit risk for allowable debt securities follows the City. The credit rating for each investment type is identified in the above table for debt securities held at June 30, 2014.

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

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 1,712,468	\$ 1,244,192	\$ 110,000
Taxes	20,014	-	-
Interest	699	12,500	-
Intergovernmental	168,474	-	36,333
Special assessments	356,604	-	-
	<hr/>	<hr/>	<hr/>
Gross receivables	2,258,259	1,256,692	146,333
Less: Allowance for uncollectibles	(3,500)	(3,000)	-
	<hr/>	<hr/>	<hr/>
Net total receivables	<u>\$ 2,254,759</u>	<u>\$ 1,253,692</u>	<u>\$ 146,333</u>

Of the special assessment receivable balance approximately \$299,500 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	\$ 313,175	\$ 107,943	\$ 28,185
Due to other governments	112,094	-	92,192
Accrued interest on long-term debt	24,093	-	-
Self-insurance liability	63,262	-	-
	<hr/>	<hr/>	<hr/>
	<u>\$ 512,624</u>	<u>\$ 107,943</u>	<u>\$ 120,377</u>

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014, was as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 369,737	\$ 2,459,842
Major Streets Fund	30,198	72,950
Nonmajor governmental funds	699,070	447,419
Water Supply System Fund	109,157	14,622
Sewage Disposal System Fund	297,253	-
Wastewater Treatment System Fund	33,087	105,615
Internal service fund	1,561,946	-
	<u>\$ 3,100,448</u>	<u>\$ 3,100,448</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, 2014, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 57,223	\$ 40,950
Major Streets Fund	-	244,513
Nonmajor governmental funds	<u>565,669</u>	<u>337,429</u>
	<u>\$ 622,892</u>	<u>\$ 622,892</u>

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

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

8. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 4,642,117	\$ 57,223	\$ -	\$ 4,699,340
Construction in progress	-	328,766	-	328,766
	<u>4,642,117</u>	<u>385,989</u>	<u>-</u>	<u>5,028,106</u>
Capital assets, being depreciated:				
Roads and sidewalks	46,744,367	341,244	(93,536)	46,992,075
Land improvements	3,561,530	6,067	-	3,567,597
Buildings	2,810,058	-	-	2,810,058
Vehicles	3,703,687	63,130	(269,989)	3,496,828
Office furnishings	1,263,850	57,489	(30,054)	1,291,285
Machinery and equipment	2,239,629	553,543	(436,112)	2,357,060
	<u>60,323,121</u>	<u>1,021,473</u>	<u>(829,691)</u>	<u>60,514,903</u>
Less accumulated depreciation for:				
Roads and sidewalks	(19,495,295)	(934,887)	-	(20,430,182)
Land improvements	(1,753,273)	(126,613)	-	(1,879,886)
Buildings	(2,075,285)	(62,748)	-	(2,138,033)
Vehicles	(2,617,090)	(116,944)	258,989	(2,475,045)
Office furnishings	(1,064,322)	(61,569)	30,054	(1,095,837)
Machinery and equipment	(1,811,259)	(161,871)	388,169	(1,584,961)
	<u>(28,816,524)</u>	<u>(1,464,632)</u>	<u>677,212</u>	<u>(29,603,944)</u>
Total capital assets being depreciated, net	<u>31,506,597</u>	<u>(443,159)</u>	<u>(152,479)</u>	<u>30,910,959</u>
Governmental activities capital assets, net	<u>\$ 36,148,714</u>	<u>\$ (57,170)</u>	<u>\$ (152,479)</u>	<u>\$ 35,939,065</u>

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 527,234	\$ -	\$ -	\$ 527,234
Construction in progress	277,000	-	-	277,000
	<u>804,234</u>	<u>-</u>	<u>-</u>	<u>804,234</u>
Capital assets, being depreciated:				
Buildings	13,239,935	-	-	13,239,935
Improvements, other than buildings	10,824,748	26,977	-	10,851,725
Vehicles	13,792	-	-	13,792
Machinery and equipment	10,266,847	-	-	10,266,847
	<u>34,345,322</u>	<u>26,977</u>	<u>-</u>	<u>34,372,299</u>
Less accumulated depreciation for:				
Buildings	(6,689,099)	(256,640)	-	(6,945,739)
Improvements, other than buildings	(4,783,731)	(188,911)	-	(4,972,642)
Vehicles	(13,770)	-	-	(13,770)
Machinery and equipment	(9,950,605)	(79,075)	-	(10,029,680)
	<u>(21,437,205)</u>	<u>(524,626)</u>	<u>-</u>	<u>(21,961,831)</u>
Total capital assets being depreciated, net	<u>12,908,117</u>	<u>(497,649)</u>	<u>-</u>	<u>12,410,468</u>
Business-type activities capital assets, net	<u>\$ 13,712,351</u>	<u>\$ (497,649)</u>	<u>\$ -</u>	<u>\$ 13,214,702</u>

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

Depreciation of governmental activities by function:

General government	\$ 247,846
Public safety	167,267
Public works	815,251
Community and economic development	18,135
Recreation and culture	91,973
Internal service fund	124,160
	<u>\$ 1,464,632</u>

Depreciation of business-type activities by function:

Water supply system	\$ 276,811
Sewage disposal system	46,672
Wastewater treatment	201,143
	<u>\$ 524,626</u>

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

9. LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
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	\$ -	\$ 990,000	\$ -	\$ 990,000	\$ 20,000
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	840,000	-	(35,000)	805,000	35,000
2010 General Obligation Limited Tax bonds, \$960,000, due in annual installments of \$15,000 to \$65,000 through November 1, 2030, interest at 2.35 to 2.43%, payable semi-annually	925,000	-	(20,000)	905,000	20,000
2000 HVAC Installment Purchase, \$600,000, due in annual installments of \$25,000 to \$115,000 through November 1, 2014, interest at 2.77 to 4.55%, payable semi-annually	170,000	-	(55,000)	115,000	115,000

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities (concluded)					
CISCO Phone System Installment Purchase, \$123,465 due in annual installments of \$23,407 to \$25,665 through November 15, 2016, interest at 2.88 payable annually	\$ 97,800	\$ -	\$ (23,407)	\$ 74,393	\$ 24,089
Total	2,032,800	990,000	(133,407)	2,889,393	214,089
Compensated absences	377,291	198,882	(194,014)	382,159	95,540
Landfill remediation liability	148,772	-	-	148,772	-
Total governmental activities	<u>\$ 2,558,863</u>	<u>\$ 1,188,882</u>	<u>\$ (327,421)</u>	<u>\$ 3,420,324</u>	<u>\$ 309,629</u>
Business-type Activities					
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	\$ 3,745,000	\$ -	\$ (255,000)	\$ 3,490,000	\$ 280,000
State Revolving Fund 2009 Sewer System, \$801,786, due in annual installments of \$30,000 to \$51,786 through April 1, 2028, interest at 2.50%, payable semi-annually	646,786	-	(35,000)	611,786	35,000
Total business-type activities bonds	4,391,786	-	(290,000)	4,101,786	315,000
Compensated absences	134,072	39,817	(61,629)	112,260	28,100
Total business-type activities	<u>\$ 4,525,858</u>	<u>\$ 39,817</u>	<u>\$ (351,629)</u>	<u>\$ 4,214,046</u>	<u>\$ 343,100</u>
Discretely-Presented Component units					
Cass Street loan from primary government	\$ 192,515	\$ -	\$ -	\$ 192,515	\$ 7,945

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
2015	\$ 214,089	\$ 131,024	\$ 315,000	\$ 113,506
2016	109,791	112,877	340,000	103,855
2017	125,513	109,525	365,000	93,456
2018	115,000	105,557	390,000	84,080
2019	130,000	101,451	425,000	73,881
2020-2024	775,000	424,236	2,060,000	162,710
2025-2029	955,000	238,226	206,786	13,054
2030-2034	465,000	47,909	-	-
	<u>\$ 2,889,393</u>	<u>\$ 1,270,805</u>	<u>\$ 4,101,786</u>	<u>\$ 644,542</u>

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

Year Ended June 30,	Principal	Interest
2015	\$ 7,945	\$ 10,501
2016	8,899	10,023
2017	9,460	9,461
2018	10,028	8,894
2019	10,630	8,292
2020-2024	63,475	31,133
2025-2027	82,078	8,769
	<u>\$ 192,515</u>	<u>\$ 87,073</u>

Advance Refunding

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

The City has pledged substantially all revenue of the Water Supply System Fund, net of operating expenses, to repay the above water supply system revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply system. The bonds are payable solely from the net revenue of the Water Supply System Fund. During the current year, net revenue of the system was \$837,301 compared to the annual debt requirements of approximately \$51,000.

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	\$ 263,830	\$ -
Revenue bond restrictions:		
Revenue bond reserve	-	350,000
Improvement and replacement fund	-	2,448,059
	<u>\$ 263,830</u>	<u>\$ 2,798,059</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.

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

At June 30, 2014, the City has \$263,830 on deposit with the Authority to pay claims. Upon termination of the program, any amounts remaining on deposit after the Authority has settled all claims incurred prior to termination will be returned to the City. The City estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the net position for the past two fiscal years were as follows:

	Risk Management	
	2014	2013
Unpaid claims -		
Beginning of year	\$ 103,322	\$ 103,322
Included claims (including claims incurred but not reported)	19,777	77,046
Claim payments	<u>(59,837)</u>	<u>(77,046)</u>
Unpaid claims -		
End of year	63,262	103,322
Assets held on deposit with Authority	<u>263,830</u>	<u>250,395</u>
Net position -		
End of year	<u>\$ 200,568</u>	<u>\$ 147,073</u>

12. CONTINGENT LIABILITIES

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

13. BENEFIT PLANS

Employees' Retirement System

Plan Description. The City of Owosso Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Owosso, Michigan; this plan covers substantially all the employees of the City, except for certain retired union employees of the American Federation of the State, City, and Municipal Employees and the Police Command Bargaining Unit, both of which participate in the Michigan Municipal Employees' Retirement System. During 2008, the plan was closed to all new employees under the AFSCME and general union agreements. The employees under AFSCME and general union agreements participate in a defined contribution plan administered under ICMA for which the City matches employee contributions up to 4.0 percent. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2013, the date of the most recent actuarial valuation, membership consisted of 83 retirees and beneficiaries currently receiving benefits and 6 terminated employees entitled to benefits but not yet receiving them, and 64 current active employees. The plan does not issue a separate financial statement.

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

Previously the Pension Trust Fund statement of fiduciary net position and statement of changes in plan net position have been reported using the City's fiscal year end of June 30. During the current year, the City has elected to report the Pension Trust Fund year end aligned with the City of Owosso Employees' Retirement Plan's year end of December 31. Therefore, the Pension Trust Fund has been reported in these financial statements using a short period of July 1, 2013 to December 31, 2013.

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

Annual Pension Cost. For the year ended June 30, 2014, the City's annual pension cost was \$701,388, in accordance with actuarial requirements.

Actuarial methods and assumption. The annual required contribution was determined as part of an actuarial valuation at December 31, 2013, using the entry age actuary cost funding method. Significant actuarial assumptions include (i) a 7.25 percent investment rate of return and (ii) projected salary increases of 3.0 percent and 3.0 percent payroll growth. Both (i) and (ii) include an inflation component of 1.4 percent of the base pension for the first ten years. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll. The remaining closed amortization period is 15 years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2012	\$ 550,684	100%	\$ -
2013	829,038	100%	-
2014	701,388	100%	-

Funded Status and Funding Progress. As of December 31, 2013, the most recent valuation date, the Plan was 89.1% funded. The actuarial accrued liability for benefits was \$35,821,262 and the actuarial value of assets was \$31,913,449, resulting in an unfunded actuarial accrued liability of \$3,907,813, which means the plan is under-funded. The covered payroll (annual payroll for active employees covered by the Plan) was \$3,108,992 and the ratio for the UAAL to the covered payroll was -125.7%.

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

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

Michigan Municipal Employees' Retirement System

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

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

Annual pension costs. For the year ended June 30, 2014, the City's annual pension cost was \$56,069, in accordance with actuarial requirements.

Actuarial methods and assumption. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry actual age cost method. Significant actuarial assumptions include (i) an 8.0 percent investment rate of return and (ii) projected salary increases of 4.5 percent to 12.9 percent per year depending on age, attributable to seniority/merit. Both (i) and (ii) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll. The remaining amortization period is between 8 and 25 years depending on the employee group.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 11,902	100%	\$ -
2013	45,279	100%	-
2014	56,069	100%	-

Funded Status and Funding Progress. As of December 31, 2013, the date of the most recent actuarial valuation, the Plan was 75.3 percent funded. The actuarial accrued liability for benefits was \$4,713,670 and the actuarial value of assets was \$3,550,008, resulting in an unfunded actuarial accrued liability (AAL) of \$1,163,262. The covered payroll (annual payroll of active employees covered by the Plan) was \$367,463 and the ratio of the under-funded AAL to the covered payroll was -317 percent.

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

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

Defined Contribution Pension Plan

The City provides pension benefits to the city manager position along with new employees under the AFSCME and general union agreements with a defined contribution plan administered under ICMA for which the City provides employer contributions. In accordance with these requirements, the City contributed \$44,478 during the current year and employees contributed \$38,760 during the year.

14. 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, 2013	\$ (374,084)
Current year building permit revenue	110,405
Related expenses - Direct costs	<u>(56,661)</u>
Cumulative shortfall at June 30, 2014	<u>\$ (320,340)</u>

15. POLLUTION REMEDIATION

The Michigan Department of Environmental Quality (MDEQ), in written communication, alleges the City is one of several potential responsible parties for response costs related to the former Shiawassee Sanitary Landfill site. The State's claimed costs are estimated to be in excess of \$900,000. The MDEQ letter also invites the recipient parties to voluntarily perform additional response activities. The site was privately owned and operated in a neighboring township and ceased business decades ago. The allegation relates to the City, as a customer, and its contribution to the pollution. A working group, consisting of some potential responsible parties that received demand letters from the MDEQ, without admitting fault or liability, has obtained cost proposals for remedial activities. The City has calculated and recorded the potential remediation liability of \$148,772 using an expected cash flows technique applied to probabilities, ranges, and assumptions from the cost proposals and claimed costs of the State as of June 30, 2014. Prevailing law in this matter is not expected to change significantly if litigation commences.

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

16. FUND BALANCE CLASSIFICATIONS

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	\$ 101,420	\$ -	\$ -	\$ 101,420
Prepays	25,749	-	-	25,749
Total nonspendable	<u>127,169</u>	<u>-</u>	<u>-</u>	<u>127,169</u>
Restricted				
Debt service	-	-	62,890	62,890
Housing	-	-	14	14
Historical	-	-	85,381	85,381
Street capital projects	-	-	520,891	520,891
Streets	-	8,566	1,312,671	1,321,237
Total restricted	<u>-</u>	<u>8,566</u>	<u>1,981,847</u>	<u>1,990,413</u>
Committed for subsequent years expenditures				
	<u>1,568,872</u>	<u>-</u>	<u>-</u>	<u>1,568,872</u>
Assigned for:				
Capital projects	-	-	844,628	844,628
Building Authority	-	-	65,846	65,846
DDA construction	-	-	49,389	49,389
Subdivision	-	-	41,862	41,862
Subdivision debt	244,000	-	-	244,000
Pollution remediation	148,772	-	-	148,772
Compensated absences	382,159	-	-	382,159
Special assessment	100,000	-	-	100,000
Economic development	100,000	-	-	100,000
Owosso drain	171,197	-	-	171,197
Total assigned	<u>1,146,128</u>	<u>-</u>	<u>1,001,725</u>	<u>2,147,853</u>
Unassigned	<u>653,631</u>	<u>-</u>	<u>-</u>	<u>653,631</u>
Total fund balances - governmental funds	<u>\$ 3,495,800</u>	<u>\$ 8,566</u>	<u>\$ 2,983,572</u>	<u>\$ 6,487,938</u>

CITY OF OWOSSO, MICHIGAN

Notes to Financial Statements

17. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2014, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Being depreciated, net	\$ 30,910,959	\$ 12,410,468
Not being depreciated	5,028,106	804,234
	<u>35,939,065</u>	<u>13,214,702</u>
Related debt:		
Bonds and notes payable	2,889,393	4,101,786
Less unspent bond proceeds	(520,891)	-
	<u>2,368,502</u>	<u>4,101,786</u>
Net investment in capital assets	<u>\$ 33,570,563</u>	<u>\$ 9,112,916</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OWOSSO, MICHIGAN

Required Supplementary Information

Employees' Retirement System
For the Year Ended June 30, 2014

Schedule of Funding Progress
Single-employer Pension Trust Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2008	\$ 32,567,350	\$ 29,857,841	\$ (2,709,509)	109.1%	\$ 4,042,417	67.0%
2009	32,187,590	30,042,649	(2,144,941)	107.1%	3,952,336	54.3%
2010	31,529,473	31,251,375	(278,098)	100.9%	3,672,267	7.6%
2011	29,624,891	33,523,677	3,898,786	88.4%	3,746,852	-104.1%
2012	30,611,263	34,120,683	3,509,420	89.7%	3,333,049	-105.3%
2013	31,913,449	35,821,262	3,907,813	89.1%	3,108,992	-125.7%

Schedule of Employer Contributions
Single-employer Pension Trust Fund

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2009	\$ 128,117	100.00%
2010	328,824	100.00%
2011	350,599	100.00%
2012	550,684	100.00%
2013	829,038	100.00%
2014	701,388	100.00%

CITY OF OWOSSO, MICHIGAN

Required Supplementary Information

Municipal Employees Retirement System of Michigan
For the Year Ended June 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2008	\$ 3,689,088	\$ 3,943,773	\$ 254,685	93.5%	\$ 337,879	-75.4%
2009	3,606,376	4,131,958	525,582	87.3%	359,218	-146.3%
2010	3,640,481	4,350,930	710,449	83.7%	338,561	-209.8%
2011	3,253,171	4,258,393	1,005,222	76.4%	309,897	-324.4%
2012	3,632,208	4,671,640	1,039,432	77.8%	364,636	-285.1%
2013	3,550,008	4,713,670	1,163,662	75.3%	367,463	-316.7%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2009	\$ 11,528	100.00%
2010	13,005	100.00%
2011	14,462	100.00%
2012	11,902	100.00%
2013	45,279	100.00%
2014	56,069	100.00%

OTHER SUPPLEMENTAL INFORMATION

CITY OF OWOSSO, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds					
	Local Streets Fund	Revolving Loan	Housing and Redevelopment	Historical	Facade	Total
Assets						
Cash and investments	\$ -	\$ 141,518	\$ -	\$ 89,858	\$ -	\$ 231,376
Receivables, net:						
Accounts	44,310	642,522	-	-	141,060	827,892
Special assessments	-	-	-	-	-	-
Accrued interest	-	-	-	699	-	699
Due from other funds	38,549	530,951	865	-	-	570,365
Due from other governments	-	-	-	-	-	-
Land held for sale	-	-	-	-	-	-
Total assets	\$ 82,859	\$ 1,314,991	\$ 865	\$ 90,557	\$ 141,060	\$ 1,630,332
Liabilities						
Accounts payable	2,689	-	56	1,572	-	4,317
Accrued liabilities	-	-	-	770	-	770
Accrued wages payable	1,808	-	795	831	-	3,434
Due to other funds	77,682	-	-	1,503	141,060	220,245
Total liabilities	82,179	-	851	4,676	141,060	228,766
Deferred inflows of resources						
Unavailable revenue - special assessments	-	-	-	-	-	-
Unavailable revenue - other	-	3,000	-	500	-	3,500
Total deferred inflows of resources	-	3,000	-	500	-	3,500
Fund balances (deficit)						
Restricted	680	1,311,991	14	85,381	-	1,398,066
Assigned	-	-	-	-	-	-
Total fund balances	680	1,311,991	14	85,381	-	1,398,066
Total liabilities, deferred inflows of resources and fund balances	\$ 82,859	\$ 1,314,991	\$ 865	\$ 90,557	\$ 141,060	\$ 1,630,332

Continued...

CITY OF OWOSSO, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Debt Service Funds					
	2013 General Obligation Bonds	2012 Special Assessment Limited Tax Bonds	2010 General Obligation Bonds	2009 Limited Tax General Obligation Bonds	2014 Special Assessment Limited Tax Bonds	2013 Special Assessment Limited Tax Bonds
Assets						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net:						
Accounts	-	-	-	-	-	-
Special assessments	-	133,316	-	-	9,222	57,186
Accrued interest	-	-	-	-	-	-
Due from other funds	62,800	-	59	-	-	-
Due from other governments	-	-	-	-	-	-
Land held for sale	-	-	-	-	-	-
Total assets	\$ 62,800	\$ 133,316	\$ 59	\$ -	\$ 9,222	\$ 57,186
Liabilities						
Accounts payable	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-
Accrued wages payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Deferred inflows of resources						
Unavailable revenue - special assessments	-	133,316	-	-	9,222	57,186
Unavailable revenue - other	-	-	-	-	-	-
Total deferred inflows of resources	-	133,316	-	-	9,222	57,186
Fund balances (deficit)						
Restricted	62,800	-	59	-	-	-
Assigned	-	-	-	-	-	-
Total fund balances	62,800	-	59	-	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ 62,800	\$ 133,316	\$ 59	\$ -	\$ 9,222	\$ 57,186



Debt Service Funds							
2011 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2009 Special Assessment Limited Tax Bonds	2008 Special Assessment Limited Tax Bonds	2007 Special Assessment Limited Tax Bonds	2006 Special Assessment Limited Tax Bonds	2005 Special Assessment Limited Tax Bonds	Total
\$ -	\$ -	\$ 31	\$ -	\$ -	\$ -	\$ -	\$ 31
-	-	-	-	-	-	-	-
82,174	19,383	14,952	11,076	16,447	10,737	2,111	356,604
-	-	-	-	-	-	-	62,859
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 82,174</u>	<u>\$ 19,383</u>	<u>\$ 14,983</u>	<u>\$ 11,076</u>	<u>\$ 16,447</u>	<u>\$ 10,737</u>	<u>\$ 2,111</u>	<u>\$ 419,494</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
82,174	19,383	14,952	11,076	16,447	10,737	2,111	356,604
-	-	-	-	-	-	-	-
<u>82,174</u>	<u>19,383</u>	<u>14,952</u>	<u>11,076</u>	<u>16,447</u>	<u>10,737</u>	<u>2,111</u>	<u>356,604</u>
-	-	31	-	-	-	-	62,890
-	-	-	-	-	-	-	-
-	-	31	-	-	-	-	62,890
<u>\$ 82,174</u>	<u>\$ 19,383</u>	<u>\$ 14,983</u>	<u>\$ 11,076</u>	<u>\$ 16,447</u>	<u>\$ 10,737</u>	<u>\$ 2,111</u>	<u>\$ 419,494</u>

Continued...

CITY OF OWOSSO, MICHIGAN

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Capital Projects Funds			
	Capital Projects	2011 Street Program	Building Authority	DDA Construction Fund
Assets				
Cash and investments	\$ 844,628	\$ 545,927	\$ -	\$ 37,482
Receivables, net:				
Accounts	-	-	-	-
Special assessments	-	-	-	-
Accrued interest	-	-	-	-
Due from other funds	-	-	65,846	-
Due from other governments	-	-	-	75,762
Land held for sale	-	-	-	-
Total assets	<u>\$ 844,628</u>	<u>\$ 545,927</u>	<u>\$ 65,846</u>	<u>\$ 113,244</u>
Liabilities				
Accounts payable	-	-	-	63,855
Accrued liabilities	-	-	-	-
Accrued wages payable	-	-	-	-
Due to other funds	-	25,036	-	-
Total liabilities	<u>-</u>	<u>25,036</u>	<u>-</u>	<u>63,855</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - other	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances (deficit)				
Restricted	-	520,891	-	-
Assigned	844,628	-	65,846	49,389
Total fund balances	<u>844,628</u>	<u>520,891</u>	<u>65,846</u>	<u>49,389</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 844,628</u>	<u>\$ 545,927</u>	<u>\$ 65,846</u>	<u>\$ 113,244</u>



Capital Projects Funds		
Subdivision	Total	Total Nonmajor Governmental Funds
\$ -	\$ 1,428,037	\$ 1,659,444
-	-	827,892
-	-	356,604
-	-	699
-	65,846	699,070
-	75,762	75,762
244,000	244,000	244,000
<u>\$ 244,000</u>	<u>\$ 1,813,645</u>	<u>\$ 3,863,471</u>
-	63,855	68,172
-	-	770
-	-	3,434
202,138	227,174	447,419
<u>202,138</u>	<u>291,029</u>	<u>519,795</u>
-	-	356,604
-	-	3,500
-	-	360,104
-	520,891	1,981,847
41,862	1,001,725	1,001,725
<u>41,862</u>	<u>1,522,616</u>	<u>2,983,572</u>
<u>\$ 244,000</u>	<u>\$ 1,813,645</u>	<u>\$ 3,863,471</u>

Concluded

CITY OF OWOSSO, MICHIGAN

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Special Revenue Funds					Total
	Local Streets Fund	Revolving Loan	Housing and Redevelopment	Historical	Facade	
Revenues						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	297,358	7,066	-	-	249,001	553,425
Charges for services	-	-	20,971	15,680	-	36,651
Sales	-	-	-	4,387	-	4,387
Interest revenue	-	12,262	-	312	-	12,574
Special assessments	116,678	-	-	-	-	116,678
Miscellaneous revenue	-	-	-	27,040	14,183	41,223
Total revenues	414,036	19,328	20,971	47,419	263,184	764,938
Expenditures						
Current:						
General government:						
Other	-	15,133	-	-	-	15,133
Preservation and maintenance	-	-	-	17,468	-	17,468
General and administrative	-	-	74,481	53,432	-	127,913
Public works:						
Preservation and maintenance	761,886	-	-	-	-	761,886
General and administrative	25,900	-	-	-	-	25,900
Community and economic development						
	-	-	-	-	263,184	263,184
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	787,786	15,133	74,481	70,900	263,184	1,211,484
Revenue over (under) expenditures	(373,750)	4,195	(53,510)	(23,481)	-	(446,546)
Other financing sources (uses)						
Issuance of debt	-	-	-	-	-	-
Transfers in	373,750	-	53,512	40,950	-	468,212
Transfers out	-	(53,512)	-	-	-	(53,512)
Total other financing sources (uses)	373,750	(53,512)	53,512	40,950	-	414,700
Net change in fund balances	-	(49,317)	2	17,469	-	(31,846)
Fund balances, beginning of year	680	1,361,308	12	67,912	-	1,429,912
Fund balances, end of year	\$ 680	\$ 1,311,991	\$ 14	\$ 85,381	\$ -	\$ 1,398,066

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CITY OF OWOSSO

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Debt Service Funds					
	2013 General Obligation Bonds	2012 Special Assessment Limited Tax Bonds	2010 General Obligation Bonds	2014 Special Assessment Limited Tax Bonds	2013 Special Assessment Limited Tax Bonds	2009 Limited Tax General Obligation Bonds
Revenues						
Property Taxes	\$ 10,650	\$ 351	\$ 57,575	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-	75,295
Charges for services	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Miscellaneous revenue	-	-	-	-	-	-
Total revenues	10,650	351	57,575	-	-	75,295
Expenditures						
Current:						
General government:						
Other	-	-	-	-	-	-
Preservation and maintenance	-	-	-	-	-	-
General and administrative	-	-	-	-	-	-
Public works:						
Preservation and maintenance	-	-	-	-	-	-
General and administrative	-	-	-	-	-	-
Community and economic development						
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	20,000	-	-	35,000
Interest	250	351	37,567	-	-	40,295
Total expenditures	250	351	57,567	-	-	75,295
Revenue over (under) expenditures	10,400	-	8	-	-	-
Other financing sources (uses)						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	10,400	-	8	-	-	-
Fund balances, beginning of year	52,400	-	51	-	-	-
Fund balances, end of year	\$ 62,800	\$ -	\$ 59	\$ -	\$ -	\$ -



Debt Service Funds							
2011 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2009 Special Assessment Limited Tax Bonds	2008 Special Assessment Limited Tax Bonds	2007 Special Assessment Limited Tax Bonds	2006 Special Assessment Limited Tax Bonds	2005 Special Assessment Limited Tax Bonds	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,576
-	-	-	-	-	-	-	75,295
-	-	-	-	-	-	-	-
-	-	17	-	-	-	-	17
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	17	-	-	-	-	143,888
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	55,000
-	-	-	-	-	-	-	78,463
-	-	-	-	-	-	-	133,463
-	-	17	-	-	-	-	10,425
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	17	-	-	-	-	10,425
-	-	14	-	-	-	-	52,465
\$ -	\$ -	\$ 31	\$ -	\$ -	\$ -	\$ -	\$ 62,890

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CITY OF OWOSSO

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2014**

	Capital Projects Fund			
	Capital Projects	2011 Street Program	Building Authority	DDA Construction Fund
Revenues				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Charges for services	-	-	-	-
Sales	-	-	-	-
Interest revenue	-	487	-	55
Special assessments	-	-	-	-
Miscellaneous revenue	-	-	12,931	-
Total revenues	-	487	12,931	55
Expenditures				
Current:				
General government:				
Other	-	-	-	-
Preservation and maintenance	-	-	-	-
General and administrative	-	-	-	-
Public works:				
Preservation and maintenance	-	-	-	-
General and administrative	-	32,619	-	-
Community and economic development	-	-	-	-
Capital outlay	-	-	30,528	115,757
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	32,619	30,528	115,757
Revenue over (under) expenditures	-	(32,132)	(17,597)	(115,702)
Other financing sources (uses)				
Issuance of debt	-	990,000	-	-
Transfers in	-	-	-	97,457
Transfers out	-	(283,917)	-	-
Total other financing sources (uses)	-	706,083	-	97,457
Net change in fund balances	-	673,951	(17,597)	(18,245)
Fund balances, beginning of year	844,628	(153,060)	83,443	67,634
Fund balances, end of year	\$ 844,628	\$ 520,891	\$ 65,846	\$ 49,389



Capital Projects Funds		
Subdivision	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 68,576
-	-	628,720
-	-	36,651
-	-	4,387
-	542	13,133
-	-	116,678
-	12,931	54,154
-	13,473	922,299
-	-	15,133
-	-	17,468
-	-	127,913
-	-	761,886
-	32,619	58,519
-	-	263,184
-	146,285	146,285
-	-	55,000
-	-	78,463
-	178,904	1,523,851
-	(165,431)	(601,552)
-	990,000	990,000
-	97,457	565,669
-	(283,917)	(337,429)
-	803,540	1,218,240
-	638,109	616,688
41,862	884,507	2,366,884
\$ 41,862	\$ 1,522,616	\$ 2,983,572

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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

December 11, 2014

Honorable members of the Council
of the City of Owosso
Owosso Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Owosso, Michigan* (the "City"), as of and for the year ended June 30, 2014, 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 11, 2014.

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 Lobson LLC