



CITY OF OWOSSO

SHIAWASSEE COUNTY, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Owosso
Owosso, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC
Grand Rapids, Michigan
November 30, 2018

Management's Discussion and Analysis

Management's Discussion and Analysis

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$60,615,543 (net position).
- The total net position for the City is \$60,615,543. Of this amount, \$9,760,752 is unrestricted and available for any City activity. The net position increased \$2,605,188 from the prior fiscal year.
- Combined program and general revenues for the primary government activities amounted to \$17,569,916. Expenses of \$14,964,728 were less than combined program and general revenues by \$2,605,188.
- The combined fund balance at year end for the City's governmental funds was \$11,609,948. This was a decrease of (\$1,369,929) from the prior fiscal year.
- General fund revenues exceeded expenditures and other financing uses by \$371,208, 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 financial information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

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

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

Government-wide Financial Analysis

As mentioned earlier, net position provides useful benchmarks in determining overall financial position. The City of Owosso's combined net position is \$60,615,543. This compares to last year's reported total of \$58,010,355 which was an increase of \$2,605,188.

	City of Owosso's Net Position					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 13,010,657	\$ 13,473,523	\$ 3,231,275	\$ 4,997,240	\$ 16,241,932	\$ 18,470,763
Accounts Receivable, net	1,729,931	1,673,626	1,395,759	1,291,604	3,125,690	2,965,230
Advance to Component Units	1,155,365	1,224,498	695,958	612,636	1,851,323	1,837,134
Other Assets	625,995	574,708	179,136	160,789	805,131	735,497
Total Current Assets	16,521,948	16,946,355	5,502,128	7,062,269	22,024,076	24,008,624
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	2,460,527	3,960,486	2,460,527	3,960,486
Capital Assets, Net	37,613,097	35,286,822	17,292,067	13,936,146	54,905,164	49,222,968
Total Assets	54,135,045	52,233,177	25,254,722	24,958,901	79,389,767	77,192,078
DEFERRED OUTFLOWS OF RESOURCES						
Pension	1,362,671	2,753,051	400,858	1,116,981	1,763,529	3,870,032
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	1,674,619	899,763	1,024,018	1,029,393	2,698,637	1,929,156
Accrued Wages and Liabilities	223,455	236,962	221,855	223,297	445,310	460,259
Current Portion of Long-term Debt	505,798	484,085	557,932	517,598	1,063,730	1,001,683
Total Current Liabilities	2,403,872	1,620,810	1,803,805	1,770,288	4,207,677	3,391,098
<i>Noncurrent Liabilities</i>						
Long-term Debt	6,903,090	7,324,244	3,878,696	4,403,709	10,781,786	11,727,953
Net Pension Liability	3,210,875	5,543,476	500,598	1,697,862	3,711,473	7,241,338
Total Liabilities	12,517,837	14,488,530	6,183,099	7,871,859	18,700,936	22,360,389
DEFERRED INFLOWS						
Pension	1,391,788	469,814	445,029	221,552	1,836,817	691,366
Total Deferred Inflows	1,391,788	469,814	445,029	221,552	1,836,817	691,366
NET POSITION						
Net Investment in Capital Assets	30,541,662	32,639,819	12,956,188	9,105,280	43,497,850	41,745,099
Restricted	5,070,542	7,076,140	2,286,399	3,960,486	7,356,941	11,036,626
Unrestricted	5,975,887	311,925	3,784,865	4,916,705	9,760,752	5,228,630
Total Net Position	\$ 41,588,091	\$ 40,027,884	\$ 19,027,452	\$ 17,982,471	\$ 60,615,543	\$ 58,010,355

Further review of the net position indicates that they are divided into three parts. The largest part, 72%, is the net investment in capital assets (land, buildings, machinery and equipment) which cannot be readily liquidated or available for future spending. The second part is restricted net position, which are subject to external restrictions on how they may be used. Finally, the last part is unrestricted net position which can be used for ongoing obligations or new activities.

Governmental Activities

Governmental activities are described in detail below. The City of Owosso's current fiscal year experienced an increase in net position of \$1,560,207. This increase in net position is mainly the result of expanded road projects which in the governmental activities reduce capital expenditures and increase assets.

The City received gas and weight tax contributions of \$1,493,267 and operating grant funds for roads of \$233,909, which account for the majority of the \$2,238,129 in operating grants and contributions for the governmental activities. Capital grants and contributions for the governmental activities and business-type activities, in the amount of \$633,251, primarily consists of grants received for road construction of \$470,963 and a transfer in from component unit of \$162,288 for water system related construction.

During the current year, governmental activities revenues decreased by (\$158,326) and expenses decreased by (\$199,249). Revenues decreased primarily due to grants and the contribution of Hathaway drive from the brownfield fund to local streets fund received in the prior year, but not in the current year. This was partially offset by increases in tax revenues and operating grants received in the current year.

City of Owosso's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenue						
Program Revenues						
Charges for Services	\$ 1,775,927	\$ 1,774,429	\$ 6,579,875	\$ 6,039,878	\$ 8,355,802	\$ 7,814,307
Operating Grants and Contributions	2,238,129	2,053,211	362,147	726,905	2,600,276	2,780,116
Capital Grants and Contributions	470,963	1,463,939	162,288	589,687	633,251	2,053,626
Total Program Revenues	4,485,019	5,291,579	7,104,310	7,356,470	11,589,329	12,648,049
General Revenues						
Property Taxes	3,836,858	3,463,620	78,062	72,401	3,914,920	3,536,021
Intergovernmental	1,749,160	1,622,955	-	-	1,749,160	1,622,955
Miscellaneous	254,350	114,052	-	-	254,350	114,052
Interest Income	34,493	26,000	27,664	2,482	62,157	28,482
Total General Revenues and Transfers	5,874,861	5,226,627	105,726	74,883	5,980,587	5,301,510
Total Revenues	10,359,880	10,518,206	7,210,036	7,431,353	17,569,916	17,949,559
Expenses						
General Government	1,305,226	920,802	-	-	1,305,226	920,802
Public Safety	4,261,514	4,102,425	-	-	4,261,514	4,102,425
Public Works	2,486,437	3,013,640	-	-	2,486,437	3,013,640
Community and Economic Development	183,440	497,662	-	-	183,440	497,662
Recreation and Culture	352,473	354,614	-	-	352,473	354,614
Interest on Long-term Debt	210,583	109,779	-	-	210,583	109,779
Water	-	-	2,510,791	2,502,455	2,510,791	2,502,455
Sewer	-	-	1,820,158	2,191,282	1,820,158	2,191,282
Wastewater	-	-	1,800,700	1,967,496	1,800,700	1,967,496
Transportation	-	-	33,406	64,190	33,406	64,190
Total Expenses	8,799,673	8,998,922	6,165,055	6,725,423	14,964,728	15,724,345
Change in Net Position	1,560,207	1,519,284	1,044,981	705,930	2,605,188	2,225,214
<i>Net Position at the Beginning of Period</i>	<i>40,027,884</i>	<i>38,508,600</i>	<i>17,982,471</i>	<i>17,276,541</i>	<i>58,010,355</i>	<i>55,785,141</i>
Net Position at the End of Period	\$ 41,588,091	\$ 40,027,884	\$ 19,027,452	\$ 17,982,471	\$ 60,615,543	\$ 58,010,355

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 \$11,609,948 or 99% 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 was \$6,386,516, an increase of \$371,208. This compares to an increase of fund balance of \$811,705 in the prior year, which is larger because it received a transfer in of \$858,628 in 2017, but no transfers in during 2018. The continued positive results are due to several factors. Total revenues and expenses were consistent with the prior year, with revenues exceeding expenses by \$618,455. This increase is aided by the fact the general fund receives reimbursement from other City funds for administrative costs and services, totaling \$720,710 in the current year.

The major streets fund balance increased from \$569,372 to \$1,464,055. The increase is mostly attributable to funds transferred from the streets capital project fund and collection of special assessment revenue. The fund balance will be drawn down in the subsequent year for street maintenance and improvement efforts.

The streets capital projects fund balance decreased from \$4,824,244 to \$2,017,659 which is primarily due to the transfer out of \$2,815,000 to the major street fund for street projects.

The nonmajor funds include special revenue, debt service and capital project funds and have total fund balances of \$1,741,718, an increase of \$170,765 over the prior year.

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

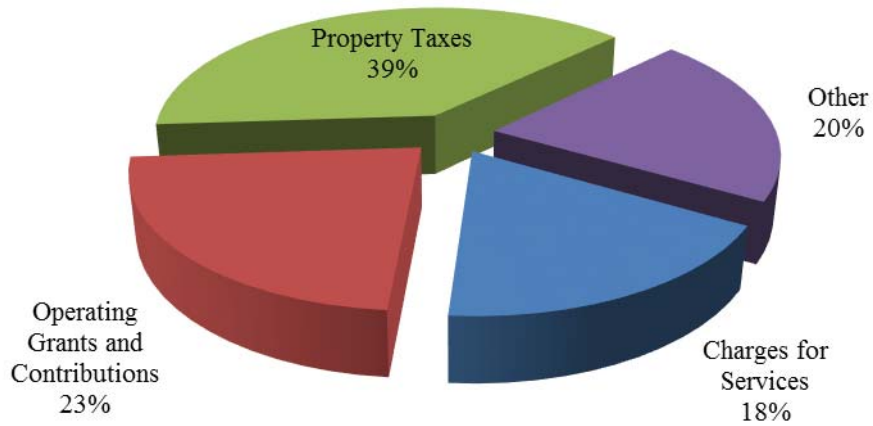
The proprietary funds of the City are comprised of the water supply system, sewage disposal system, wastewater treatment system and transportation funds. The water supply system fund's net position increased by \$744,341 to \$10,488,018. The sewage disposal system fund's net position increased \$190,552 to \$4,152,495. The wastewater treatment system fund's net position increased \$65,415 to \$4,334,029.

Revenues exceeded expenses in all funds, and the water supply system reported operating income of \$690,689. The fund continues to benefit from a bond refinancing that lowered interest expense. The City operates under a consent order under its NPDES permit. The wastewater treatment system fund's net position decreased because restricted cash used for capital purchases affected increase in rates.

Governmental Activities

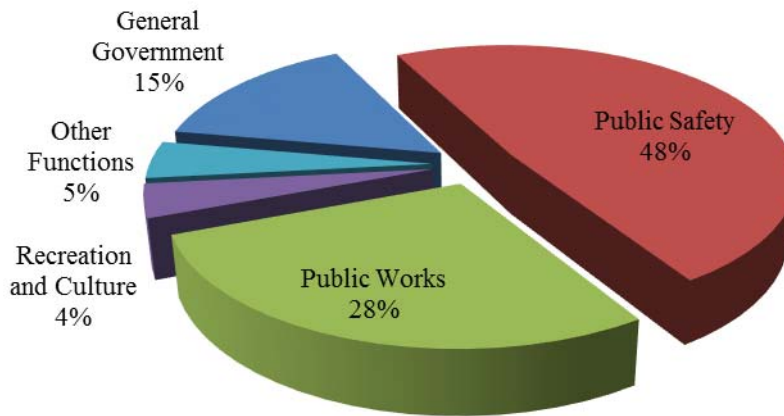
The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year end.

Governmental Activities Revenues



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

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year the budget amendments were relatively minor, with the largest changes being increases to budgeted general government expenses and miscellaneous and intergovernmental revenues.

Final budget compared to actual results. During the current fiscal year the City had the following expenditures in excess of the appropriated amounts in the general fund

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
General Fund			
Finance	\$ 159,615	\$ 161,479	\$ (1,864)
Clerk	140,001	151,066	(11,065)
Human Resources	133,585	136,559	(2,974)
Buildings and Ground Maintenance	105,468	129,138	(23,670)
General Administration	182,300	239,306	(57,006)

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$54,905,164 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, and water and sewer infrastructure. The following summarizes the City's capital assets:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land	\$ 4,559,913	\$ 467,304	\$ 5,027,217
Construction in Progress	3,717,324	3,064,898	6,782,222
Roads and Sidewalks	49,638,955	-	49,638,955
Land Improvements	3,764,353	-	3,764,353
Buildings	2,860,343	13,245,205	16,105,548
Vehicles	4,259,369	1,209,550	5,468,919
Office Furnishings	1,353,373	-	1,353,373
Machinery and Equipment	2,366,461	11,067,856	13,434,317
Improvements, other than Buildings	-	12,488,960	12,488,960
Total Capital Assets	<u>72,520,091</u>	<u>41,543,773</u>	<u>114,063,864</u>
Less: Accumulated Depreciation	34,906,994	24,251,706	59,158,700
Capital Assets, Net	<u>\$ 37,613,097</u>	<u>\$ 17,292,067</u>	<u>\$ 54,905,164</u>

Long-term Debt

At the end of the current fiscal year, the City had \$7,408,888 in bonds and other obligations outstanding and compensated absences for governmental activities and \$4,436,628 in bonds outstanding and compensated absences for business-type activities. Governmental activities long-term debt and obligations decreased \$399,441 while business-type activities long-term debt decreased \$484,679.

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

Economic Factors and Next Year's Budget and Rates

The 2018-2019 budget for the general fund projects stable revenues for the year, \$7,755,766 in total with matching total expenditures and transfers out. For comparison, the City's 2018 general fund actual results were as follows: Total revenues of \$7,063,849, total expenditures of \$6,445,394, and transfers out of \$247,247.

The 2018-2019 budget leaves the City with an decrease in general fund balance of approximately \$156,000. The City of Owosso will continue to monitor closely its capital needs, debt service requirements, and upcoming projects as they relate to the budget and projected revenue streams.

Requests for Information

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

Basic Financial Statements

**City of Owosso
Statement of Net Position
June 30, 2018**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 13,010,657	\$ 3,231,275	\$ 16,241,932	\$ 115,735
Accounts Receivable	764,781	1,395,759	2,160,540	48,605
Special Assessments Receivable	348,837	--	348,837	--
Due from Other Governments	616,313	--	616,313	66,145
Advance to Component Units	1,155,365	695,958	1,851,323	--
Inventories	50,634	86,323	136,957	65,700
Prepays	188,438	92,813	281,251	--
Land Held for Sale	236,000	--	236,000	--
Other Assets	150,923	--	150,923	--
Total Current Assets	16,521,948	5,502,128	22,024,076	296,185
<i>Noncurrent Assets</i>				
Restricted Cash and Investments	--	2,460,527	2,460,527	--
Capital Assets not Being Depreciated	8,277,237	3,532,202	11,809,439	--
Capital Assets Being Depreciated, Net	29,335,860	13,759,865	43,095,725	--
Total Assets	54,135,045	25,254,722	79,389,767	296,185
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Amounts	1,362,671	400,858	1,763,529	--
Total Deferred Outflows of Resources	1,362,671	400,858	1,763,529	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	1,674,619	1,024,018	2,698,637	15,645
Accrued Liabilities	19,131	168,642	187,773	--
Due to Other Governments	--	--	--	65,700
Accrued Wages	204,324	53,213	257,537	--
Current Portion of Long-term Debt	505,798	557,932	1,063,730	115,928
Total Current Liabilities	2,403,872	1,803,805	4,207,677	197,273
<i>Noncurrent Liabilities</i>				
Long-term Debt	6,903,090	3,878,696	10,781,786	1,883,615
Net Pension Liabilities	3,210,875	500,598	3,711,473	--
Total Liabilities	12,517,837	6,183,099	18,700,936	2,080,888
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Amounts	1,391,788	445,029	1,836,817	--
Total Deferred Inflows of Resources	1,391,788	445,029	1,836,817	--
NET POSITION				
Net Investment in Capital Assets	30,541,662	12,956,188	43,497,850	--
<i>Restricted for:</i>				
Debt Service	386	750,041	750,427	--
Revolving Loan	1,227,512	--	1,227,512	--
Streets	3,581,208	--	3,581,208	--
Historical	69,290	--	69,290	--
Improvement and Replacement	--	1,536,358	1,536,358	--
Skate Park Donations	106,420	--	106,420	--
Building Code Enforcement	48,745	--	48,745	--
Downtown Facade	29,964	--	29,964	--
Recreation	5,702	--	5,702	--
Public Safety	1,315	--	1,315	--
<i>Unrestricted</i>	5,975,887	3,784,865	9,760,752	(1,784,703)
Total Net Position	\$ 41,588,091	\$ 19,027,452	\$ 60,615,543	\$ (1,784,703)

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

**City of Owosso
Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues			Net (Expense) Revenue			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 1,305,226	\$ 196,267	\$ 80,118	\$ --	\$ (1,028,841)	\$ (1,028,841)	\$ --
Public Safety	4,261,514	1,361,615	325	--	(2,899,574)	(2,899,574)	--
Public Works	2,486,437	191,497	2,090,669	470,963	266,692	266,692	--
Community and Economic Development	183,440	4,162	46,123	--	(133,155)	(133,155)	--
Recreation and Culture	352,473	22,386	20,894	--	(309,193)	(309,193)	--
Interest on Debt	210,583	--	--	--	(210,583)	(210,583)	--
Total Governmental Activities	8,799,673	1,775,927	2,238,129	470,963	(4,314,654)	(4,314,654)	--
Business-type Activities:							
Sewage Disposal System	1,820,158	1,796,310	203,728	--	179,880	179,880	--
Water Supply System	2,510,791	3,056,956	28,683	162,288	737,136	737,136	--
Wastewater Treatment System	1,800,700	1,726,609	129,736	--	55,645	55,645	--
Transportation Fund	33,406	--	--	--	(33,406)	(33,406)	--
Total Business-type Activities	6,165,055	6,579,875	362,147	162,288	939,255	939,255	--
Total Primary Government	\$ 14,964,728	\$ 8,355,802	\$ 2,600,276	\$ 633,251	\$ (4,314,654)	\$ (3,375,399)	--
Component Units							
Brownfield	\$ 509,308	--	\$ 17,530	--	--	--	(491,778)
Downtown Development Authority	272,060	--	34,735	--	--	--	(237,325)
Total Component Units	\$ 781,368	\$ --	\$ 52,265	\$ --	\$ --	\$ --	(729,103)
General Purpose Revenues and Transfers:							
Revenues							
Property Taxes					3,836,858		336,309
Intergovernmental					1,749,160		22,532
Investment Income					34,493		--
Miscellaneous					254,350		10,607
Transfers					--		--
Total General Revenues and Transfers					5,874,861		369,448
Change in Net Position					1,560,207		(359,655)
<i>Net Position at Beginning of Period</i>					40,027,884		58,010,355
Net Position at End of Period					\$ 41,588,091		\$ 60,615,543

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

**City of Owosso
Balance Sheet
Governmental Funds
June 30, 2018**

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>Street Capital Project Fund</u>			
ASSETS						
Cash and Investments	\$ 4,910,370	\$ 2,148,662	\$ 2,017,659	\$ 1,418,121	\$ 10,494,812	
Accounts Receivable	459,210	13,423	--	290,687	763,320	
Special Assessments Receivable	214,247	--	--	134,590	348,837	
Due from Other Governments	380,467	116,381	--	119,465	616,313	
Advance to Component Units	1,155,365	--	--	--	1,155,365	
Inventories	50,634	--	--	--	50,634	
Prepays	--	188,438	--	--	188,438	
Land Held for Sale	--	--	--	236,000	236,000	
Current due from other funds	202,623	--	--	42,800	245,423	
Total Assets	\$ 7,372,916	\$ 2,466,904	\$ 2,017,659	\$ 2,241,663	\$ 14,099,142	
LIABILITIES						
Accounts Payable	\$ 380,798	\$ 1,001,211	\$ --	\$ 114,176	\$ 1,496,185	
Accrued Liabilities	--	--	--	2,192	2,192	
Accrued Wages	197,461	1,638	--	3,564	202,663	
Current due to other funds	--	--	--	245,423	245,423	
Total Liabilities	578,259	1,002,849	--	365,355	1,946,463	
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Special Assessments	214,247	--	--	134,590	348,837	
Unavailable Revenue - Other	193,894	--	--	--	193,894	
Total Liabilities and Deferred Inflows of Resources	986,400	1,002,849	--	499,945	2,489,194	
FUND BALANCE						
Nonspendable	1,205,999	188,438	--	--	1,394,437	
Restricted	162,182	1,275,617	2,017,659	1,615,084	5,070,542	
Assigned	3,056,704	--	--	126,634	3,183,338	
Unassigned	1,961,631	--	--	--	1,961,631	
Total Fund Balance	6,386,516	1,464,055	2,017,659	1,741,718	11,609,948	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,372,916	\$ 2,466,904	\$ 2,017,659	\$ 2,241,663	\$ 14,099,142	

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

City of Owosso
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Total Fund Balance - Governmental Funds	\$	11,609,948
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements		3,454,872
Assets held on deposit with the MMRMA for self insurance are not current financial resources, and therefore are not reported in the fund statement.		150,823
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.		36,420,352
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.		542,731
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.		(3,239,992)
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.		(7,107,245)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		(243,398)
Total Net Position - Governmental Funds	\$	<u>41,588,091</u>

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

City of Owosso
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	<u>Special Revenue</u>				<u>Street Capital Project Fund</u>	<u>Other Governmental Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>				<u>Governmental Funds</u>	<u>Governmental Funds</u>	
Revenues								
Property Taxes	\$ 3,370,798	\$ --	\$ --	\$ --		466,060	\$ 3,836,858	\$ 3,836,858
Licenses and Permits	252,307	--	--	--		--	252,307	252,307
Intergovernmental	1,749,485	1,746,833	--	--		754,102	4,250,420	4,250,420
Charges for Services	1,413,906	--	--	--		12,850	1,426,756	1,426,756
Sales	--	--	--	--		4,922	4,922	4,922
Special Assessments	--	138,816	--	--		42,301	181,117	181,117
Interest	23,003	151	9,292	--		1,150	33,596	33,596
Miscellaneous	254,350	7,798	--	--		54,932	317,080	317,080
Total Revenues	7,063,849	1,893,598	9,292	9,292		1,336,317	10,303,056	10,303,056
Expenditures								
General Government	1,292,923	--	--	--		--	1,292,923	1,292,923
Public Safety	4,086,636	--	--	--		--	4,086,636	4,086,636
Public Works	688,031	3,688,996	877	--		845,960	5,223,864	5,223,864
Community and Economic Development	114,019	--	--	--		64,622	178,641	178,641
Recreation and Culture	263,785	--	--	--		80,927	344,712	344,712
Debt Service - Principal	--	--	--	--		335,000	335,000	335,000
Debt Service - Interest	--	--	--	--		211,209	211,209	211,209
Total Expenditures	6,445,394	3,688,996	877	877		1,537,718	11,672,985	11,672,985
Excess of Revenues Over (Under) Expenditures	618,455	(1,795,398)	8,415	8,415		(201,401)	(1,369,929)	(1,369,929)
Other Financing Sources (Uses)								
Transfers from other funds	--	3,029,247	--	--		415,130	3,444,377	3,444,377
Transfers to other funds	(247,247)	(339,166)	(2,815,000)	--		(42,964)	(3,444,377)	(3,444,377)
Net Other Financing Sources (Uses)	(247,247)	2,690,081	(2,815,000)	372,166		170,765	(1,369,929)	(1,369,929)
Net Change in Fund Balance	371,208	894,683	(2,806,585)	4,824,244		1,570,953	12,979,877	12,979,877
Fund Balance at Beginning of Period	6,015,308	569,372	4,824,244	2,017,659		1,741,718	11,609,948	11,609,948
Fund Balance at End of Period	\$ 6,386,516	\$ 1,464,055	\$ 2,017,659	\$ 2,017,659		\$ 1,741,718	\$ 11,609,948	\$ 11,609,948

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

City of Owosso
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ (1,369,929)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements	158,664
Change in net position held with an agent for self-insurance.	8,073
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.	2,352,542
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds, but rather are deferred to the following fiscal year.	55,927
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	334,683
Change in the City's net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the statement of activities.	20,247
Changes in Net Position - Governmental Funds	\$ <u>1,560,207</u>

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

**City of Owosso
Statement of Net Position
Proprietary Funds
June 30, 2018**

	Business-type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Nonmajor Enterprise Fund	Total Enterprise Funds		
ASSETS							
<i>Current Assets</i>							
Cash and Investments	\$ 2,498,895	\$ 326,627	\$ 352,843	\$ 52,910	\$ 3,231,275	\$ 2,515,845	
Accounts Receivable	533,071	862,688	--	--	1,395,759	1,461	
Advance to Component Units	--	695,958	--	--	695,958	--	
Inventories	--	86,323	--	--	86,323	--	
Prepays	--	92,813	--	--	92,813	--	
Total Current Assets	3,031,966	2,064,409	352,843	52,910	5,502,128	2,517,306	
<i>Noncurrent Assets</i>							
Restricted Cash and Investments	--	750,041	1,710,486	--	2,460,527	--	
Capital Assets not Being Depreciated	172,425	2,790,248	569,529	--	3,532,202	--	
Capital Assets Being Depreciated, Net	1,545,821	9,985,902	2,228,142	--	13,759,865	1,192,745	
Total Assets	4,750,212	15,590,600	4,861,000	52,910	25,254,722	3,710,051	
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Pension Amounts	48,103	144,309	208,446	--	400,858	--	
Total Deferred Outflows of Resources	48,103	144,309	208,446	--	400,858	--	
LIABILITIES							
<i>Current Liabilities</i>							
Accounts Payable	38,088	807,655	178,275	--	1,024,018	178,334	
Accrued Liabilities	2,949	165,693	--	--	168,642	--	
Accrued Wages	6,064	27,352	19,797	--	53,213	1,661	
Current Portion of Long-term Debt	43,364	503,163	11,405	--	557,932	66,435	
Total Current Liabilities	90,465	1,503,863	209,477	--	1,803,805	246,430	
<i>Noncurrent Liabilities</i>							
Long-term Debt	441,879	3,402,603	34,214	--	3,878,696	8,749	
Net Pension Liabilities	60,072	180,215	260,311	--	500,598	--	
Total Liabilities	592,416	5,086,681	504,002	--	6,183,099	255,179	
DEFERRED INFLOWS OF RESOURCES							
Deferred Pension Amounts	53,404	160,210	231,415	--	445,029	--	
Total Deferred Inflows of Resources	53,404	160,210	231,415	--	445,029	--	
NET POSITION							
Net Investment in Capital Assets	1,246,460	8,912,057	2,797,671	--	12,956,188	1,126,310	
<i>Restricted for:</i>							
Debt Service	--	750,041	--	--	750,041	--	
Improvement and Replacement	--	--	1,536,358	--	1,536,358	--	
<i>Unrestricted</i>	2,906,035	825,920	--	52,910	3,784,865	2,328,562	
Total Net Position	\$ 4,152,495	\$ 10,488,018	\$ 4,334,029	\$ 52,910	\$ 19,027,452	\$ 3,454,872	

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

City of Owosso
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Nonmajor Enterprise Fund	Total Enterprise Funds	
Operating Revenues						
Charges for Services	\$ 1,796,310	\$ 3,083,864	\$ 1,726,609	\$ --	\$ 6,606,783	\$ 704,603
Miscellaneous	--	1,775	6,627	--	8,402	--
Total Operating Revenues	<u>1,796,310</u>	<u>3,085,639</u>	<u>1,733,236</u>	<u>--</u>	<u>6,615,185</u>	<u>704,603</u>
Operating Expenses						
Personnel Services	117,197	827,262	664,877	--	1,609,336	152,231
Administrative and Engineering Services	100,800	234,096	200,177	--	535,073	30,996
Contractual and Professional Services	175,237	83,333	96,702	33,406	388,678	--
Supplies and Chemicals	8,697	291,249	109,024	--	408,970	41,814
Utilities	3,176	165,329	248,237	--	416,742	--
Insurance	9,992	42,966	42,966	--	95,924	26,078
Maintenance	144,554	368,262	239,345	--	752,161	91,679
Plant Charges	1,198,041	--	--	--	1,198,041	--
Depreciation	50,013	382,453	199,372	--	631,838	200,757
Total Operating Expenses	<u>1,807,707</u>	<u>2,394,950</u>	<u>1,800,700</u>	<u>33,406</u>	<u>6,036,763</u>	<u>543,555</u>
Operating Income (Loss)	<u>(11,397)</u>	<u>690,689</u>	<u>(67,464)</u>	<u>(33,406)</u>	<u>578,422</u>	<u>161,048</u>
Non-Operating Revenues (Expenses)						
Investment Income	10,672	7,205	9,770	17	27,664	897
State Grant	199,530	--	123,109	--	322,639	--
Reimbursement and Miscellaneous	4,198	--	--	--	4,198	--
Property Taxes	--	--	--	78,062	78,062	--
Interest Expense	(12,451)	(115,841)	--	--	(128,292)	(3,281)
Net Non-Operating Revenues (Expenses)	<u>201,949</u>	<u>(108,636)</u>	<u>132,879</u>	<u>78,079</u>	<u>304,271</u>	<u>(2,384)</u>
Income Before Contributions and Transfers	<u>190,552</u>	<u>582,053</u>	<u>65,415</u>	<u>44,673</u>	<u>882,693</u>	<u>158,664</u>
Capital Contributions	--	162,288	--	--	162,288	--
Transfers from other funds	--	--	--	--	--	--
Transfers to other funds	--	--	--	--	--	--
Change in Net Position	<u>190,552</u>	<u>744,341</u>	<u>65,415</u>	<u>44,673</u>	<u>1,044,981</u>	<u>158,664</u>
<i>Net Position at Beginning of Period</i>	3,961,943	9,743,677	4,268,614	8,237	17,982,471	3,296,208
Net Position at End of Period	<u>\$ 4,152,495</u>	<u>\$ 10,488,018</u>	<u>\$ 4,334,029</u>	<u>\$ 52,910</u>	<u>\$ 19,027,452</u>	<u>\$ 3,454,872</u>

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

City of Owosso
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Nonmajor Enterprise Fund	
Cash Flows from Operating Activities				Total	
Cash Received from Customers	\$ 1,743,909	\$ 3,033,885	\$ 1,733,236	\$ 6,511,030	\$ 704,058
Cash Payments to Employees for Services and Fringe Benefits	(130,058)	(999,136)	(737,806)	(1,867,000)	(152,231)
Cash Payments to Suppliers for Goods and Services	(1,672,437)	(1,332,947)	(781,963)	(3,820,753)	(16,306)
Net Cash Provided by Operating Activities	<u>(58,586)</u>	<u>701,802</u>	<u>213,467</u>	<u>823,277</u>	<u>535,521</u>
Cash Flows from Non-capital and Related Financing Activities					
Other non-operating receipts	4,198	-	-	78,062	-
Change in Compensated Absences	2,334	3,124	3,638	9,096	(571)
Transfer In (Out)	-	-	-	-	-
Total Cash Flows from Non-capital and Related Financing Activities	<u>6,532</u>	<u>3,124</u>	<u>3,638</u>	<u>78,062</u>	<u>(571)</u>
Cash Flows from Capital and Related Financing Activities					
Interest Expense	(12,451)	(115,841)	-	(128,292)	(3,261)
Principal Payment on Long-term Debt	(35,000)	(459,987)	-	(494,987)	(64,812)
State Grant Receipts	199,530	-	123,109	322,639	-
Capital Contributions	-	162,288	-	162,288	-
Purchases of Capital Assets	-	(986,382)	(767,015)	(1,753,397)	(182,081)
(Gain)/Loss on Disposals of Assets	12,350	4,500	-	16,850	7,570
Net Cash Used by Capital and Related Financing Activities	<u>164,429</u>	<u>(1,395,422)</u>	<u>(643,906)</u>	<u>(1,874,899)</u>	<u>(242,584)</u>
Cash Flows from Investing Activities					
Interest on Investments	10,672	7,205	9,770	27,664	897
Advance to Component Unit	-	(83,322)	-	(83,322)	-
Net Cash Provided by Investing Activities	<u>10,672</u>	<u>(76,117)</u>	<u>9,770</u>	<u>(55,658)</u>	<u>897</u>
Net Increase in Cash and Equivalents	<u>123,047</u>	<u>(766,613)</u>	<u>(417,031)</u>	<u>(1,015,924)</u>	<u>293,263</u>
Cash and Equivalents - Beginning of Year	<u>2,375,848</u>	<u>1,843,281</u>	<u>2,480,360</u>	<u>6,707,726</u>	<u>2,222,582</u>
Cash and Equivalents - End of Year	<u>\$ 2,498,895</u>	<u>\$ 1,076,668</u>	<u>\$ 2,063,329</u>	<u>\$ 5,691,802</u>	<u>\$ 2,515,845</u>

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

City of Owosso
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Nonmajor Enterprise Fund	Total	
	\$ (11,397)	\$ 690,689	\$ (67,464)	\$ (33,406)	\$ 578,422	\$ 161,048
Reconciliation of Operating Income to						
Net Cash Provided by Operating Activities						
Operating Income	50,013	382,453	199,372	-	631,838	200,757
Adjustments to Reconcile Operating Income to Net Cash						
Provided by Operating Activities						
Depreciation Expense	(52,401)	(51,754)	-	-	(104,155)	(545)
Changes in Assets & Liabilities						
Accounts Receivable	-	-	-	-	-	-
Due from Other Funds	-	(18,347)	-	-	(18,347)	-
Inventories and Prepaid Expenses	(33,084)	(125,006)	152,715	-	(5,375)	174,243
Accounts Payable	1,144	(4,359)	1,773	-	(1,442)	18
Accrued Liabilities	(12,861)	(171,874)	(72,929)	-	(257,664)	-
Pension Related Amounts	(58,586)	701,802	213,467	(33,406)	823,277	535,521
Net Cash Provided by Operating Activities	<u>\$ (12,861)</u>	<u>\$ 701,802</u>	<u>\$ 213,467</u>	<u>\$ (33,406)</u>	<u>\$ 823,277</u>	<u>\$ 535,521</u>

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

**City of Owosso
Statement of Fiduciary Net Position
Fiduciary Funds**

	June 30, 2018	December 31, 2017
	Agency Fund	Pension Trust Fund
ASSETS		
Cash and Investments	\$ 26,760	\$ 35,712,168
Accounts Receivable	--	51,786
<i>Total Assets</i>	26,760	35,763,954
LIABILITIES		
Accounts Payable	26,760	10,961
<i>Total Liabilities</i>	26,760	10,961
NET POSITION		
Restricted for Employee's Pension Benefits	\$ --	\$ 35,752,993

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

City of Owosso
Statement of Changes in Plan Net Position
Pension Trust Fund
For the Year Ended December 31, 2017

	December 31, 2017
	Pension Trust Fund
ADDITIONS	
Interest and Dividends	\$ 709,185
Net appreciation in fair value of investments	5,158,658
Total Investment Earnings	5,867,843
Investment Expenses	(98,149)
Net Investment Income	5,769,694
Contributions:	
Employer	958,312
Plan Members	214,940
Total Contributions	1,173,252
Other - City reimbursed expenses	142,739
Total Additions	7,085,685
DEDUCTIONS	
Benefit payments	2,900,823
Refunds of Contributions	-
Administrative expenses	147,227
Total Deductions	3,048,050
Change in Net Position	4,037,635
Net Position, Beginning of Year	31,715,358
Net Position, End of Year	\$ 35,752,993

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

City of Owosso
Combining Statement of Net Position
Discretely Presented Component Units
June 30, 2018

	Brownfield	Downtown Development Authority	Total Component Units
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 43,143	\$ 72,592	\$ 115,735
Accounts Receivable	--	48,605	48,605
Due from Other Governments	--	66,145	66,145
Inventories	65,700	--	65,700
Total Current Assets	108,843	187,342	296,185
<i>Noncurrent Assets</i>			
Total Assets	108,843	187,342	296,185
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	--	15,645	15,645
Due to Other Governments	65,700	--	65,700
Current Portion of Long-term Debt	115,928	--	115,928
Total Current Liabilities	181,628	15,645	197,273
<i>Noncurrent Liabilities</i>			
Long-term Debt	1,883,615	--	1,883,615
Total Liabilities	2,065,243	15,645	2,080,888
NET POSITION			
<i>Unrestricted</i>	(1,956,400)	171,697	(1,784,703)
Total Net Position	\$ (1,956,400)	\$ 171,697	\$ (1,784,703)

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

City of Owosso
Combining Statement of Activities
Discretely Presented Component Units
For the Year Ended June 30, 2018

	<u>Brownfield</u>	<u>Downtown Development Authority</u>	<u>Total Component Units</u>
Expenses			
Brownfield Redevelopment Authority	\$ 509,308	\$ --	\$ 509,308
Downtown Development Authority	--	272,060	272,060
Total Expenses	<u>509,308</u>	<u>272,060</u>	<u>781,368</u>
Program Revenues			
Charges for services	--	--	--
Operating grants and contributions	17,530	34,735	52,265
Capital grants and contributions	--	--	--
Total Program Revenues	<u>17,530</u>	<u>34,735</u>	<u>52,265</u>
Net Program Revenues (Expenses)	<u>(491,778)</u>	<u>(237,325)</u>	<u>(729,103)</u>
General Revenue			
Intergovernmental	--	22,532	22,532
Miscellaneous	--	10,607	10,607
Property Taxes	121,491	214,818	336,309
Total General Revenues	<u>121,491</u>	<u>247,957</u>	<u>369,448</u>
Change in Net Position	<u>(370,287)</u>	<u>10,632</u>	<u>(359,655)</u>
<i>Net Position at Beginning of Period</i>	(1,586,113)	161,065	(1,425,048)
Net Position at End of Period	<u>\$ (1,956,400)</u>	<u>\$ 171,697</u>	<u>\$ (1,784,703)</u>

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

Notes to the Financial Statements

City of Owosso

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

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

Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

City of Owosso

Notes to the Financial Statements

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

City of Owosso

Notes to the Financial Statements

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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.

City of Owosso

Notes to the Financial Statements

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

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

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

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

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

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.

City of Owosso

Notes to the Financial Statements

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

Deposits and Investments

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

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

Receivables and Payables

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

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

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

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

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.

City of Owosso

Notes to the Financial Statements

Deferred Outflows of Resources

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

Property Taxes

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

Inventories and Prepaids

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed.

City of Owosso

Notes to the Financial Statements

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

	<u>Years</u>
Buildings	11-50
Land Improvements	5-50
Machinery and equipment	5-20
Vehicles	5-25
Office furnishings	5-20
Road and sidewalks	50

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

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

Deferred Inflows of Resources

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

Compensated Absences

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

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

City of Owosso

Notes to the Financial Statements

net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Fund Equity

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments

City of Owosso

Notes to the Financial Statements

(including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Budgetary Information

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

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

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

For the year ended June 30, 2018, the City incurred expenditures in excess of the amounts appropriated, as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
General Fund			
Finance	\$ 159,615	\$ 161,479	\$ (1,864)
Clerk	140,001	151,066	(11,065)
Human Resources	133,585	136,559	(2,974)
Buildings and Ground Maintenance	105,468	129,138	(23,670)
General Administration	182,300	239,306	(57,006)

Note 3 - Deficit Fund Equity

The Brownfield Redevelopment Authority had a deficit net position at year-end of \$1,956,400. The Brownfield Redevelopment Authority will capture property taxes in the future and use revenues from services to eliminate this deficit.

City of Owosso

Notes to the Financial Statements

Note 4 - Deposits and Investments

Following is a reconciliation of deposit and investment balances for the City (including both cash and investments as well as pension trust fund balances) as of June 30, 2018:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and Investments	\$ 16,241,932	\$ 115,735	\$ 16,357,667
Restricted Cash and Investments	2,460,527	-	2,460,527
Statement of Fiduciary Net Position			
Pension Trust Fund			
Cash and Cash Equivalnets	936,601	-	936,601
Investments	34,775,567	-	34,775,567
Agency			
Cash and Cash Equivalnets	26,760	-	26,760
Total Deposits and Investments	54,441,387	115,735	54,557,122

Deposits and Investments

Checking and Savings Accounts	\$ 15,661,195
Certificates of Deposit	2,051,760
Investments	36,842,342
Cash on Hand	1,825
Total	\$ 54,557,122

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

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the government. The City does not require collateralization of deposits. At June 30, 2018, the bank balance of deposits owned by the City was \$19,685,433. Approximately \$3,484,296 of the City's bank balance was covered by federal depository insurance. The remaining balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

City of Owosso

Notes to the Financial Statements

Custodial Credit Risk – Investments. Following is a summary of the City’s investments as of June 30, 2018 for the primary government. The pension trust fund is as of December 31, 2017:

Investments	
Money Market Funds	\$ 1,568,991
Equities	27,827,500
Corporate Bonds	2,741,009
Municipal Obligations	900,642
Government Securities	3,804,200
Total	\$ 36,842,342

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, 2018 (December 31, 2017 for the pension trust fund), none of the City’s investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City’s name by the counterparty

Interest Rate Risk. To the extent possible, the City attempts to match its investments with anticipated cash flow requirements. Short-term funds matched to a specific cash flow requirement shall be invested in securities maturing not more than two (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	Totals
Statement of Net Position			
Due in less than one year	\$ 100,476	\$ 553,914	\$ 654,390
Due in one to five years	696,887	2,677,503	3,374,390
Due in six to ten years	-	1,823,815	1,823,815
Due in more than ten years	384,336	1,593,264	1,977,600
No maturity	885,076	28,127,071	29,012,147
Total Deposits and Investments	\$ 2,066,775	\$ 34,775,567	\$ 36,842,342

City of Owosso

Notes to the Financial Statements

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

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

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

The Employee Retirement System's investment policy on credit risk for allowable debt securities follows the City. The credit rating for each investment type is identified in the above table for debt securities held at December 31, 2017.

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

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

City of Owosso

Notes to the Financial Statements

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

	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	\$ 1,568,991	\$ -	\$ -	\$ 1,568,991
Equities	27,827,500	-	-	27,827,500
Corporate Bonds	-	2,741,009	-	2,741,009
Municipal Obligations	-	900,642	-	900,642
Government Securities	-	3,804,200	-	3,804,200
Total Deposits and Investments	\$ 29,396,491	\$ 7,445,851	\$ -	\$ 36,842,342

Note 5 - Receivables

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 768,281	\$ 1,398,759	\$ 48,605
Intergovernmental	616,313	-	66,145
Special Assessments	348,837	-	-
Total Receivables	1,733,431	1,398,759	114,750
Less: Allowance for uncollectibles	(3,500)	(3,000)	-
Receivables, Net	\$ 1,729,931	\$ 1,395,759	\$ 114,750

Of the receivable balance, \$548,390 is not expected to be collected within one year.

The general fund and the water fund has advanced \$1,155,365 and \$695,958, respectively, to the Brownfield fund that will be repaid over 15 years at an interest rate of 4.00%. Of the balance, approximately \$1,745,422 is not expected to be collected within one year.

Note 6 – Accounts Payable

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 1,674,519	\$ 1,024,018	\$ 15,645
Due to Other Governments	-	-	65,700
Self-Insurance Liability	100	-	-
	\$ 1,674,619	\$ 1,024,018	\$ 81,345

City of Owosso

Notes to the Financial Statements

Note 7 - Interfund Receivables and Payables and Transfers

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

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 202,623
Nonmajor Governmental Funds	Nonmajor Governmental Funds	42,800

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

Transfer In	Transfer Out	Amount
Major Streets	General Fund	\$ 214,247
Nonmajor Governmental Funds	General Fund	33,000
Nonmajor Governmental Funds	Major Streets	339,166
Major Streets	Street Capital Project Fund	2,815,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	42,964

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

The Street Capital Project Fund transferred \$2,815,000 to the Major Street fund to fund City street projects.

City of Owosso

Notes to the Financial Statements

Note 8 - Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2018, was as follows:

Governmental Activities	June 30, 2017	Additions	Reductions	June 30, 2018
Capital Assets not Being Depreciated				
Land	\$ 4,559,913	\$ -	\$ -	\$ 4,559,913
Construction in Progress	1,331,546	3,315,138	929,360	3,717,324
<i>Total Capital Assets not Being Depreciated</i>	<u>5,891,459</u>	<u>3,315,138</u>	<u>929,360</u>	<u>8,277,237</u>
Capital Assets Being Depreciated				
Roads and Sidewalks	48,436,447	1,202,508	-	49,638,955
Land Improvements	3,681,690	82,663	-	3,764,353
Buildings	2,811,107	49,236	-	2,860,343
Vehicles	4,135,080	220,708	96,419	4,259,369
Office Furnishings	1,330,696	22,677	-	1,353,373
Machinery and Equipment	2,352,662	13,799	-	2,366,461
<i>Total Capital Assets Being Depreciated</i>	<u>62,747,682</u>	<u>1,591,591</u>	<u>96,419</u>	<u>64,242,854</u>
Less Accumulated Depreciation				
Roads and Sidewalks	23,316,049	1,058,234	-	24,374,283
Land Improvements	2,265,116	127,933	-	2,393,049
Buildings	2,314,068	69,662	-	2,383,730
Vehicles	2,551,128	204,311	88,830	2,666,609
Office Furnishings	1,232,377	39,963	-	1,272,340
Machinery and Equipment	1,673,581	143,402	-	1,816,983
<i>Total Accumulated Depreciation</i>	<u>33,352,319</u>	<u>1,643,505</u>	<u>88,830</u>	<u>34,906,994</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>29,395,363</u>	<u>(51,914)</u>	<u>7,589</u>	<u>29,335,860</u>
Total Capital Assets, Governmental Activities	<u>\$ 35,286,822</u>	<u>\$ 3,263,224</u>	<u>\$ 936,949</u>	<u>\$ 37,613,097</u>

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

Governmental Activities	
General Government	\$ 130,228
Public Safety	150,833
Public Works	1,066,464
Planning & Community Development	4,799
Recreation and Culture	90,424
Depreciation Charged to the Internal Service Fund	200,757
Total Governmental Activities	<u>\$ 1,643,505</u>

City of Owosso

Notes to the Financial Statements

Capital asset activity for the business-type activities for the year ended June 30, 2018, was as follows:

Business-type Activities	June 30, 2017	Additions	Reductions	June 30, 2018
Capital Assets not Being Depreciated				
Land	\$ 467,304	\$ -	\$ -	467,304
Construction in Progress	1,309,528	2,398,758	643,388	3,064,898
	<u>1,776,832</u>	<u>2,398,758</u>	<u>643,388</u>	<u>3,532,202</u>
Capital Assets Being Depreciated				
Buildings	13,245,205	-	-	13,245,205
Improvements, other than Buildings	11,605,425	883,535	-	12,488,960
Vehicles	59,395	1,150,155	-	1,209,550
Machinery and Equipment	10,869,157	198,699	-	11,067,856
<i>Total Capital Assets Being Depreciated</i>	<u>35,779,182</u>	<u>2,232,389</u>	<u>-</u>	<u>38,011,571</u>
Less Accumulated Depreciation				
Buildings	7,710,570	253,301	-	7,963,871
Improvements, other than Buildings	5,568,295	206,246	-	5,774,541
Vehicles	16,212	98,501	-	114,713
Machinery and Equipment	10,324,791	73,790	-	10,398,581
<i>Total Accumulated Depreciation</i>	<u>23,619,868</u>	<u>631,838</u>	<u>-</u>	<u>24,251,706</u>
<i>Total Capital Assets being Depreciated, net</i>	<u>12,159,314</u>	<u>1,600,551</u>	<u>-</u>	<u>13,759,865</u>
<i>Total Capital Assets, Business-type Activities</i>	<u>\$ 13,936,146</u>	<u>\$ 3,999,309</u>	<u>\$ 643,388</u>	<u>\$ 17,292,067</u>

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

Business-type Activities	
Water Supply System	\$ 382,453
Sewage Disposal System	50,013
Wastewater Treatment System	199,372
<i>Total Business-type Activities</i>	<u>\$ 631,838</u>

Note 9 - Long-term Debt

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

City of Owosso

Notes to the Financial Statements

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

<u>Governmental Activities</u>	<u>Balance at April 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at April 30, 2018</u>	<u>Due Within One Year</u>
2009 General Obligation Limited Tax bonds, \$950,000, due in annual installments of \$25,000 to \$75,000 through May 1, 2029, interest at 1.95% to 5.25%, payable semi-annually.	\$ 690,000	\$ -	\$ 45,000	\$ 645,000	\$ 45,000
2010 General Obligation Unlimited Tax bonds, \$960,000, due in annual installments of \$15,000 to \$65,000 through November 1, 2030, interest at 2.35% to 2.43%, payable semi-annually	835,000	-	40,000	795,000	50,000
2013 General Obligation Street Bonds, \$990,000, due in annual installments of \$20,000 to \$70,000 through November 1, 2033, interest at 0.70% to 4.95%, payable semi-annually	915,000	-	30,000	885,000	35,000
2015 capital lease payable, \$324,271, due in annual installments of \$68,096 through June 10, 2019 including interest at 2.40%	131,247	-	64,812	66,435	66,435
2017 General Obligation Unlimited Tax bonds, \$4,900,000, due in annual installments of \$220,000 to \$280,000 through May 1, 2037, interest at 1.00% to 3.55%, payable annually	4,900,000	-	220,000	4,680,000	225,000
Compensated Absences	337,082	371	-	337,453	84,363
Total Governmental Activities	<u>\$ 7,808,329</u>	<u>\$ 371</u>	<u>\$ 399,812</u>	<u>\$ 7,408,888</u>	<u>\$ 505,798</u>
<u>Business-type Activities</u>	<u>Balance at April 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at April 30, 2018</u>	<u>Due Within One Year</u>
Revenue Bond Series 2012 Refunding, \$3,800,000 due in annual installments of \$55,000 to \$505,000 through November 1, 2022, interest at 2.00% to 3.25%, payable semi-annually	\$ 2,575,000	\$ -	\$ 355,000	\$ 2,220,000	\$ 385,000
U.S. Bancorp Installment purchase, \$1,900,000 due in annual installments of \$150,919 through May 15, 2031, interest at 2.63%, payable annually	1,749,080	-	104,987	1,644,093	107,745
State Revolving Fund 2009 Sewer System, \$801,786, due in installments of \$30,000 to \$55,000 through April 1, 2028, interest at 2.50%, payable semi-annually	506,786	-	35,000	471,786	40,000
Compensated Absences	90,441	10,308	-	100,749	25,187
Total Business-type Activities	<u>\$ 4,921,307</u>	<u>\$ 10,308</u>	<u>\$ 494,987</u>	<u>\$ 4,436,628</u>	<u>\$ 557,932</u>

City of Owosso

Notes to the Financial Statements

Component Units	Balance at April 30, 2017	Additions	Deletions	Balance at April 30, 2018	Due Within One Year
Cass Street loan from primary government, \$211,137, due in annual installments of \$7,151 to \$51,265 through June 30, 2027, interest at 0.06%, payable annually	\$ 162,454	\$ -	\$ 14,233	\$ 148,221	\$ 10,028
Cargill Brownfield loan from primary government, \$2,120,497, due in annual installments of \$105,900 to \$176,049 through January 1, 2032, interest at 4.00%, payable annually	1,841,134	10,188	-	1,851,322	105,900
Total Long-term Obligations, Component Units	\$ 2,003,588	\$ 10,188	\$ 14,233	\$ 1,999,543	\$ 115,928

The capital lease payable is for a Vector vehicle with a cost of \$404,771 and accumulated depreciation of \$134,924 as of June 30, 2018.

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

Year Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 421,435	\$ 225,478	\$ 646,913	\$ 532,745	\$ 117,057	\$ 649,802
2020	370,000	216,429	586,429	560,575	101,302	661,877
2021	380,000	208,111	588,111	598,478	84,574	683,052
2022	385,000	288,905	673,905	636,458	66,794	703,252
2023	395,000	188,721	583,721	674,516	47,279	721,795
2024-2028	2,100,000	759,060	2,859,060	903,127	127,729	1,030,856
2029-2033	1,870,000	388,831	2,258,831	429,980	22,778	452,758
2034-2038	1,150,000	97,673	1,247,673	-	-	-
Totals	\$ 7,071,435	\$ 2,373,208	\$ 9,444,643	\$ 4,335,879	\$ 567,513	\$ 4,903,392

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

Year Ending June 30	Component Unit		
	Principal	Interest	Total
2019	115,928	93,112	209,040
2020	120,766	88,260	209,026
2021	125,787	83,159	208,946
2022	131,065	77,861	208,926
2023	136,547	72,336	208,883
2024-2028	789,573	269,226	1,058,799
2029-2033	579,877	104,549	684,426
Totals	\$ 1,999,543	\$ 788,503	\$ 2,788,046

City of Owosso

Notes to the Financial Statements

Advance Refunding

On August 8, 2012, the City issued revenue bond series 2012 refunding of \$3,800,000. The refunded bonds mature as scheduled on August 8, 2012, through November 1, 2022. The balance of the defeased debt outstanding at year end was \$1,900,000.

The City has pledged substantially all revenue of the water supply system fund, net of operating expenses, to repay the above water supply system revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply system. The bonds are payable solely from the net revenue of the water supply system fund. During the current year, net adjusted revenue of the system was \$1,188,983 compared to the annual debt requirements of approximately \$577,332.

Note 10 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Revenue Bond Restrictions:		
Revenue Bond Reserve	\$ -	\$ 750,041
Improvement and Replacement Fund	-	1,710,486
	<u>\$ -</u>	<u>\$ 2,460,527</u>

Note 11 - Risk Management

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

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

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

City of Owosso

Notes to the Financial Statements

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

At June 30, 2018, the City has \$150,923 on deposit with the Authority to pay claims. Upon termination of the program, any amounts remaining on deposit after the Authority has settled all claims incurred prior to termination will be returned to the City. The City estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported.

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

	<u>2018</u>	<u>2017</u>
Unpaid claims - beginning of year	\$ 71,355	\$ 114,726
Incurred claims and adjustments (including claims incurred but not reported)	86,248	11,598
Claim payments	<u>(157,503)</u>	<u>(54,969)</u>
Unpaid claims - end of year	100	71,355
Assets held on deposit with Authority	<u>150,923</u>	<u>214,105</u>
<i>Net Position - end of year</i>	<u>\$ 150,823</u>	<u>\$ 142,750</u>

Note 12 - Contingent Liabilities

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

Note 13 - Pension Plan – Single Employer Pension Trust Fund

Employees' Retirement System

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

City of Owosso

Notes to the Financial Statements

Plan Membership. At December 31, 2017, the date of the most recent valuation, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	90
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	49
Total membership	145

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

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

Contributions. The contribution requirements of Plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and plan provisions. The City is required to contribute at an actuarially determined rate expressed as a percentage of covered payroll. For the year ended December 31, 2017, the City had the following contribution rates:

Division	Employee Contributions	Employer Contributions
General, Police Non-Union	6.00%	7.86%
Fire	8.00%	8.74%
Police Union	10.00%	6.40%

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2017, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Rate of Return. For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Owosso

Notes to the Financial Statements

Actuarial Assumptions. The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied consistently to all periods included in the measurement:

Wage Inflation	3.00%
Price Inflation	2.50%
Salary Increases	3.00% to 13.0% including inflation
Investment Rate of Return	7.25% net of expenses
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition.

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2013.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Owosso

Notes to the Financial Statements

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2017, and the final investment return assumption, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Expected Money- Weighted Rate of Return</u>
Domestic Equities	52.0%	7.10%	3.69%
International Equities	15.0%	6.90%	1.04%
Domestic Fixed Income	22.5%	2.90%	0.65%
Global Fixed Income	7.5%	2.80%	0.21%
Cash and Cash Equivalents	3.0%	1.40%	0.04%
	<u>100.0%</u>		<u>5.63%</u>
Inflation			2.00%
Risk Adjustments			<u>-0.38%</u>
Investment Rate of Return			<u><u>7.25%</u></u>

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

City of Owosso

Notes to the Financial Statements

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 37,240,151	\$ 31,715,358	\$ 5,524,793
Service cost	428,682	-	428,682
Interest	2,610,296	-	2,610,296
Difference between expected and actual experience	377,079	-	377,079
Contributions - Employer	-	958,312	(958,312)
Contributions - Employee	-	214,940	(214,940)
Net investment income	-	5,769,694	(5,769,694)
Benefit payments, including refunds	(2,900,823)	(2,900,823)	-
Administrative expenses	-	(147,227)	147,227
Other - City Reimbursed Expenses	-	142,738	(142,738)
Net changes	515,234	4,037,634	(3,522,400)
Balance at December 31, 2017	\$ 37,755,385	\$ 35,752,992	\$ 2,002,393

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

	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability of the City	\$ 5,801,481	\$ 2,002,393	\$ (1,245,285)

City of Owosso

Notes to the Financial Statements

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

For the year ended June 30, 2018, the City recognized pension expense of (\$24,902). At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 820,284	\$ 120,089
Changes in assumptions	-	261,659
Net difference between projected and actual earnings on pension plan investments	-	1,398,364
* Employer contributions to the plan subsequent to the measurement date	783,145	-
Total	\$ 1,603,429	\$ 1,780,112

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending June 30	Amount
2019	\$ 65,537
2020	80,471
2021	(417,207)
2022	(688,629)

Payable to the Pension Plan. At June 30, 2018, the City did not have any outstanding contributions due to the pension plan required for the year ended June 30, 2018.

City of Owosso

Notes to the Financial Statements

Note 14 - Pension Plan – Agent Multiple-Employer Plan

General Information About the Plan

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

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

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Unreduced Benefit (Age/Years of Service)	Vesting (Years)
AFSCME Council - Closed	2.50%	80%	3	60	55/25	50/25, 55/15	10
Police Command - Open	2.80 or 2.50%	80%	3	60	50/25	55/15	10

Employees Covered by Benefit Terms. At December 31, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	6
Total employees covered by MERS	21

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

For the year ended June 30, 2018, the City had the following contribution rates:

Division	Employee Contributions	Employer Contributions
AFSCME Council - Closed	6.40%	\$1,811/mo
Police Command - Open	10.00%	27.49%

Net Pension Liability. The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

City of Owosso

Notes to the Financial Statements

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.75% in the long-term
Investment Rate of Return	7.75%, net of investment and administrative expense and including inflation

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

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money- Weighted Rate of Return
Global Equity	57.5%	5.02%	2.89%
Global Fixed Income	20.0%	2.18%	0.44%
Real Assets	12.5%	4.23%	0.53%
Diversifying Strategies	10.0%	6.54%	0.64%
	100.0%		4.50%
Inflation			3.25%
Administrative Expenses netted above			0.25%
Investment Rate of Return			8.00%

City of Owosso

Notes to the Financial Statements

Discount Rate. The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 4,829,803	\$ 3,113,259	\$ 1,716,544
Service cost	60,121	-	60,121
Interest	372,940	-	372,940
Difference between expected and actual experience	128,899	-	128,899
Changes in Benefits	7,110	-	7,110
Contributions - Employer	-	139,100	(139,100)
Contributions - Employee	-	43,917	(43,917)
Net investment income	-	399,865	(399,865)
Benefit payments, including refunds	(396,218)	(396,218)	-
Administrative expenses	-	(6,348)	6,348
Net changes	172,852	180,316	(7,464)
Balance at December 31, 2017	\$ 5,002,655	\$ 3,293,575	\$ 1,709,080

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate:

	1% Decrease	Current	1% Increase
	(7.00%)	Discount Rate (8.00%)	(9.00%)
Net pension liability of the City	\$ 2,244,748	\$ 1,709,080	\$ 1,260,962

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

City of Owosso

Notes to the Financial Statements

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

For the year ended June 30, 2018, the City recognized pension expense of \$173,372. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 85,933	\$ 2,304
Net difference between projected an actual earnings on pension plan investments	-	54,401
* Employer contributions to the plan subsequent to the measurement date	74,167	-
Total	\$ 160,100	\$ 56,705

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2018.

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

Years Ending June 30	Amount
2019	\$ 61,250
2020	51,826
2021	(51,931)
2022	(31,917)

Payable to the Pension Plan. At June 30, 2018, the City did not have any outstanding contributions due to the pension plan required for the year ended June 30, 2018.

Note 15 - Defined Contribution Retirement Plan

The City provides pension benefits to the city manager position along with new employees under the AFSCME and general union agreements with a defined contribution plan administered under ICMA for which the City provides employer contributions. In accordance with these requirements, the City contributed \$77,686 during the current year and employees contributed \$114,307 during the year. At June 30, 2018, the City's had no outstanding amounts due to the Plan.

City of Owosso

Notes to the Financial Statements

Note 16 - Construction Code Fees

The City oversees building construction, in accordance with the State's construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Cumulative excess at June 30, 2017	\$ 39,374
Current year Building Permit Revenue	224,273
Related expenses - Direct costs	<u>(214,902)</u>
Cumulative excess at June 30, 2018	<u>\$ 48,745</u>

Note 17 - Net Investment in Capital Assets

The composition of net investment in capital assets as of June 30, 2018, was as follows:

	Governmental Activities	Buisness-type Activities
Capital Assets:		
Not being depreciated	\$ 8,277,237	\$ 3,532,202
Being depreciated, net	<u>29,335,860</u>	<u>13,759,865</u>
	37,613,097	17,292,067
Related Debt:		
Bonds and notes payable	<u>7,071,435</u>	<u>4,335,879</u>
Net Investment in Capital Assets	<u>\$ 30,541,662</u>	<u>\$ 12,956,188</u>

Note 18 - Tax Abatement Disclosure

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2018, the City's property taxes were reduced by \$11,563 under this program.

City of Owosso

Notes to the Financial Statements

Note 19 - Fund Balance Classifications

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Streets Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable					
Advance To Component Unit	\$ 1,155,365	\$ -	\$ -	\$ -	\$ 1,155,365
Inventories	50,634	-	-	-	50,634
Prepays	-	188,438	-	-	188,438
Total Nonspendable	<u>1,205,999</u>	<u>188,438</u>	<u>-</u>	<u>-</u>	<u>1,394,437</u>
Restricted for:					
Debt Service	-	-	-	386	386
Housing	-	-	-	-	-
Historical	-	-	-	69,290	69,290
Downtown Facade	-	-	-	29,964	29,964
Street Capital Projects	-	-	2,017,659	-	2,017,659
Revolving Loans	-	-	-	1,227,512	1,227,512
Skate Park Donations	106,420	-	-	-	106,420
Building Code Enforcement	48,745	-	-	-	48,745
Recreation	5,702	-	-	-	5,702
Public Safety	1,315	-	-	-	1,315
Streets	-	1,275,617	-	287,932	1,563,549
Total Restricted	<u>162,182</u>	<u>1,275,617</u>	<u>2,017,659</u>	<u>1,615,084</u>	<u>5,070,542</u>
Assigned for:					
Unfunded Pension Liability	1,796,787	-	-	-	1,796,787
Building Authority	-	-	-	35,978	35,978
DDA Construction	-	-	-	35,666	35,666
Subdivision Debt	181,010	-	-	54,990	236,000
Compensated Absences	337,453	-	-	-	337,453
Special Assessment	100,000	-	-	-	100,000
Economic Development	500,000	-	-	-	500,000
Owosso Drain	141,454	-	-	-	141,454
Total Assigned	<u>3,056,704</u>	<u>-</u>	<u>-</u>	<u>126,634</u>	<u>3,183,338</u>
Unassigned	<u>1,961,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,961,631</u>
Total Fund Balances - Governmental Funds	<u>\$ 6,386,516</u>	<u>\$ 1,464,055</u>	<u>\$ 2,017,659</u>	<u>\$ 1,741,718</u>	<u>\$ 11,609,948</u>

Required Supplementary Information

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Property Taxes	\$ 3,431,801	\$ 3,361,000	\$ 3,370,798	\$ 9,798
Licenses and Permits	175,978	193,000	252,307	59,307
Intergovernmental	1,651,454	1,763,000	1,749,485	(13,515)
Charges for Services	1,317,373	1,267,373	1,413,906	146,533
Interest	49,000	23,000	23,003	3
Miscellaneous	199,823	280,857	254,350	(26,507)
Total Revenues	<u>6,825,429</u>	<u>6,888,230</u>	<u>7,063,849</u>	<u>175,619</u>
Other Financing Sources				
Total Revenues and Other Financing Sources	<u>6,825,429</u>	<u>6,888,230</u>	<u>7,063,849</u>	<u>175,619</u>
Expenditures				
General Government				
City Council	4,300	4,300	3,392	908
City Manager	108,084	106,467	99,463	7,004
Finance	154,246	159,615	161,479	(1,864)
Assessing	119,576	142,576	141,405	1,171
Attorney	120,000	127,500	116,197	11,303
Clerk	112,382	140,001	151,066	(11,065)
Human Resources	139,313	133,585	136,559	(2,974)
Treasurer	63,185	69,489	62,766	6,723
Information Technology	98,475	80,725	52,153	28,572
Buildings and Ground Maintenance	27,372	105,468	129,138	(23,670)
General Administration	169,167	182,300	239,306	(57,006)
Total General Government	<u>1,116,100</u>	<u>1,252,025</u>	<u>1,292,923</u>	<u>(40,898)</u>
Public Safety				
Police	2,066,691	2,026,691	1,990,317	36,374
Fire Department	1,900,570	1,890,570	1,881,417	9,153
Building & Code Enforcement	235,950	223,951	214,902	9,049
Total Public Safety	<u>4,203,211</u>	<u>4,141,212</u>	<u>4,086,636</u>	<u>54,576</u>
Public Works				
General Public Works	588,607	588,607	478,808	109,799
Leaf and Brush Collection	229,000	229,000	180,766	48,234
Parking	49,000	43,000	28,457	14,543
Total Public Works	<u>866,607</u>	<u>860,607</u>	<u>688,031</u>	<u>172,576</u>
Community Development	134,344	127,343	114,019	13,324
Recreation - Parks	220,900	302,900	263,785	39,115
Total Expenditures	<u>6,541,162</u>	<u>6,684,087</u>	<u>6,445,394</u>	<u>238,693</u>
Other Financing Uses				
Transfers to other funds	166,550	419,084	247,247	171,837
Total Expenditures and Other Financing Uses	<u>6,707,712</u>	<u>7,103,171</u>	<u>6,692,641</u>	<u>410,530</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	117,717	(214,941)	371,208	586,149
Net Change in Fund Balance	<u>117,717</u>	<u>(214,941)</u>	<u>371,208</u>	<u>586,149</u>
Fund Balance at Beginning of Period	6,015,308	6,015,308	6,015,308	--
Fund Balance at End of Period	<u>\$ 6,133,025</u>	<u>\$ 5,800,367</u>	<u>\$ 6,386,516</u>	<u>\$ 586,149</u>

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Intergovernmental	\$ 1,258,978	\$ 991,000	\$ 1,746,833	\$ 755,833
Special Assessments	26,300	26,300	138,816	112,516
Interest	--	--	151	151
Miscellaneous	--	--	7,798	7,798
<i>Total Revenues</i>	<u>1,285,278</u>	<u>1,017,300</u>	<u>1,893,598</u>	<u>876,298</u>
Other Financing Sources				
Transfers from other funds	--	3,037,534	3,029,247	(8,287)
<i>Total Revenues and Other Financing Sources</i>	<u>1,285,278</u>	<u>4,054,834</u>	<u>4,922,845</u>	<u>868,011</u>
Expenditures				
Public Works	613,815	3,692,115	3,688,996	3,119
<i>Total Expenditures</i>	<u>613,815</u>	<u>3,692,115</u>	<u>3,688,996</u>	<u>3,119</u>
Other Financing Uses				
Transfers to other funds	627,650	332,070	339,166	(7,096)
<i>Total Expenditures and Other Financing Uses</i>	<u>1,241,465</u>	<u>4,024,185</u>	<u>4,028,162</u>	<u>(3,977)</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>43,813</u>	<u>30,649</u>	<u>894,683</u>	<u>864,034</u>
<i>Net Change in Fund Balance</i>	<u>43,813</u>	<u>30,649</u>	<u>894,683</u>	<u>864,034</u>
<i>Fund Balance at Beginning of Period</i>	569,372	569,372	569,372	--
<i>Fund Balance at End of Period</i>	<u>\$ 613,185</u>	<u>\$ 600,021</u>	<u>\$ 1,464,055</u>	<u>\$ 864,034</u>

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

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	\$ 428,682	\$ 432,001	\$ 442,936	\$ 476,628
Interest	2,610,296	2,532,569	2,586,834	2,525,333
Differences Between Expected & Actual Experience	377,079	915,114	(373,598)	345,843
Changes in Assumptions	-	-	(814,031)	-
Benefit Payments, Including Refunds	(2,900,823)	(2,711,036)	(2,510,549)	(2,454,795)
Other	-	-	25,639	-
Net Change in Pension Liability	<u>515,234</u>	<u>1,168,648</u>	<u>(642,769)</u>	<u>893,009</u>
<i>Total Pension Liability - Beginning</i>	<u>37,240,151</u>	<u>36,071,503</u>	<u>36,714,272</u>	<u>35,821,263</u>
Total Pension Liability - Ending (a)	<u>\$ 37,755,385</u>	<u>\$ 37,240,151</u>	<u>\$ 36,071,503</u>	<u>\$ 36,714,272</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 958,312	\$ 629,143	\$ 600,769	\$ 701,388
Contributions - Member	214,940	234,195	238,860	221,638
Net Investment Income	5,769,694	1,684,322	(8,045)	1,858,842
Benefit Payments, Including Refunds	(2,900,823)	(2,711,036)	(2,510,549)	(2,454,795)
Administrative Expenses	(147,227)	(155,668)	(56,618)	(36,025)
Other - City Reimbursed Expenses	142,738	92,956	-	-
Other - Audit and Education	-	(6,690)	-	-
Net Change in Plan Fiduciary Net Position	<u>4,037,634</u>	<u>(232,778)</u>	<u>(1,735,583)</u>	<u>291,048</u>
<i>Plan Fiduciary Net Position - Beginning</i>	<u>31,715,358</u>	<u>31,948,136</u>	<u>33,683,719</u>	<u>33,392,671</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 35,752,992</u>	<u>\$ 31,715,358</u>	<u>\$ 31,948,136</u>	<u>\$ 33,683,719</u>
Net Pension Liability - Ending (a) - (b)	\$ 2,002,393	\$ 5,524,793	\$ 4,123,367	\$ 3,030,553
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.70%	85.16%	88.57%	91.75%
Covered Employee Payroll	\$ 2,701,419	\$ 2,786,412	\$ 2,891,530	\$ 2,938,821
Net Pension Liability as a Percentage of Covered Employee Payroll	74.12%	198.28%	142.60%	103.12%

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

City of Owosso
Required Supplementary Information
Schedule of Contributions
Employee's Retirement System Single Employer Pension Plan
Last 4 Fiscal Years

	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 958,312	\$ 629,143	\$ 600,769	\$ 559,281
Contributions in Relation to the Actuarially Determined Contribution	958,312	629,143	600,769	559,281
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	2,701,419	2,124,150	2,761,338	3,028,775
Contributions as a Percentage of Covered Employee Payroll	35.5%	29.6%	21.8%	18.5%

Notes

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

Valuation Date

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

Methods and assumptions used to determine contribution rates

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

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

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	\$ 60,121	\$ 58,476	\$ 59,072	\$ 56,663
Interest	372,940	370,415	367,218	364,054
Differences Between Expected & Actual Experience	128,899	(6,914)	(109,144)	-
Changes in Assumptions	-	-	203,319	-
Changes in Benefits	7,111	5,931	50,916	
Benefit Payments, Including Refunds	(396,219)	(398,083)	(385,997)	(381,134)
Net Change in Pension Liability	172,852	29,825	185,384	39,583
<i>Total Pension Liability - Beginning</i>	4,829,803	4,799,978	4,614,594	4,575,011
Total Pension Liability - Ending (a)	<u>\$ 5,002,655</u>	<u>\$ 4,829,803</u>	<u>\$ 4,799,978</u>	<u>\$ 4,614,594</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 139,100	\$ 206,166	\$ 45,863	\$ 50,484
Contributions - Member	43,917	45,641	59,586	59,724
Net Investment Income	399,865	328,921	(45,980)	205,685
Benefit Payments, Including Refunds	(396,218)	(398,083)	(385,997)	(381,134)
Administrative Expenses	(6,347)	(6,486)	(6,899)	(7,495)
Net Change in Plan Fiduciary Net Position	180,317	176,159	(333,427)	(72,736)
<i>Plan Fiduciary Net Position - Beginning</i>	3,113,258	2,937,099	3,270,526	3,343,262
Plan Fiduciary Net Position - Ending (b)	<u>\$ 3,293,575</u>	<u>\$ 3,113,258</u>	<u>\$ 2,937,099</u>	<u>\$ 3,270,526</u>
Net Pension Liability - Ending (a) - (b)	\$ 1,709,080	\$ 1,716,545	\$ 1,862,879	\$ 1,344,068
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	65.84%	64.46%	61.19%	70.87%
Covered Employee Payroll	\$ 418,961	\$ 413,925	\$ 313,381	\$ 339,241
Net Pension Liability as a Percentage of Covered Employee Payroll	407.93%	414.70%	594.45%	396.20%

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

City of Owosso
Required Supplementary Information
Schedule of Contributions
MERS Agent Multiple-Employer Defined Benefit Pension Plan
Last 4 Fiscal Years

	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 139,100	\$ 128,079	\$ 81,621	\$ 46,402
Contributions in Relation to the Actuarially Determined Contribution	139,100	128,079	81,621	46,402
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	418,961	424,603	430,897	311,669
Contributions as a Percentage of Covered Employee Payroll	33.2%	30.2%	18.9%	14.9%

Notes

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

Valuation Date

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

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll
Remaining amortization period	24 years
Asset valuation method	Open; 10-year smooth market
Inflation	3.0% to 4.0%
Salary increases	4.75% in the long-term (2.0% and 3.0% for calendar years 2015 and 2016, respectively)
Investment rate of return	8.00%, net of investment and administrative expenses including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The normal retirement rates were first used for the December 31, 2009 actuarial valuations. The Early Retirement rates were first used for the December 31, 2011 actuarial valuations.
Mortality	1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

Combining and Individual Fund Statements and Schedules

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Special Revenue					Debt Service		
	Local Streets	Historical Fund	Housing and Redevelopment	Revolving Loan	Downtown Facade Program	2013 General Obligation Bonds	2010 General Obligation Bonds	
ASSETS								
Cash and Investments	\$ 250,398	\$ 97,143	\$ 1,892	\$ 979,625	\$ 17,033	\$ 363	\$ 14	
Accounts Receivable	--	--	--	290,687	--	--	--	
Special Assessments Receivable	--	--	--	--	--	--	--	
Due from Other Governments	119,465	--	--	--	--	--	--	
Land Held for Sale	--	--	--	--	--	--	--	
Current due from other funds	--	--	--	--	42,800	--	--	
Total Assets	\$ 369,863	\$ 97,143	\$ 1,892	\$ 1,270,312	\$ 59,833	\$ 363	\$ 14	
LIABILITIES								
Accounts Payable	\$ 80,293	\$ 4,014	\$ --	\$ --	\$ 29,869	\$ --	\$ --	
Accrued Liabilities	--	300	1,892	--	--	--	--	
Accrued Wages	1,638	1,926	--	--	--	--	--	
Current due to other funds	--	21,613	--	42,800	--	--	--	
Total Liabilities	\$ 81,931	\$ 27,853	\$ 1,892	\$ 42,800	\$ 29,869	\$ --	\$ --	
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Special Assessments	--	--	--	--	--	--	--	
Total Liabilities and Deferred Inflows of Resources	\$ 81,931	\$ 27,853	\$ 1,892	\$ 42,800	\$ 29,869	\$ --	\$ --	
FUND BALANCE								
Restricted	287,932	69,290	--	1,227,512	29,964	363	14	
Assigned	--	--	--	--	--	--	--	
Unassigned	--	--	--	--	--	--	--	
Total Fund Balance	\$ 287,932	\$ 69,290	\$ --	\$ 1,227,512	\$ 29,964	\$ 363	\$ 14	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 369,863	\$ 97,143	\$ 1,892	\$ 1,270,312	\$ 59,833	\$ 363	\$ 14	

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Debt Service						
	2009 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2011 Special Assessment Limited Tax Bonds	2012 Special Assessment Limited Tax Bonds	2013 Special Assessment Limited Tax Bonds	2014 Special Assessment Limited Tax Bonds	2016 Special Assessment Limited Tax Bonds
ASSETS							
Cash and Investments	\$ 9	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Accounts Receivable	--	--	--	--	--	--	--
Special Assessments Receivable	1,701	3,683	22,280	44,017	16,712	5,819	40,378
Due from Other Governments	--	--	--	--	--	--	--
Land Held for Sale	--	--	--	--	--	--	--
Current due from other funds	--	--	--	--	--	--	--
Total Assets	\$ 1,710	\$ 3,683	\$ 22,280	\$ 44,017	\$ 16,712	\$ 5,819	\$ 40,378
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Liabilities	--	--	--	--	--	--	--
Accrued Wages	--	--	--	--	--	--	--
Current due to other funds	--	--	--	--	--	--	--
Total Liabilities	--	--	--	--	--	--	--
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Special Assessments	1,701	3,683	22,280	44,017	16,712	5,819	40,378
Total Liabilities and Deferred Inflows of Resources	1,701	3,683	22,280	44,017	16,712	5,819	40,378
FUND BALANCE							
Restricted	9	--	--	--	--	--	--
Assigned	--	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--	--
Total Fund Balance	9	--	--	--	--	--	--
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,710	\$ 3,683	\$ 22,280	\$ 44,017	\$ 16,712	\$ 5,819	\$ 40,378

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Debt Service		Capital Projects				Total Nonmajor Governmental Funds
	2017 Special Assessment Limited Tax Bonds	2009 Limited Tax General Obligation Bonds	Building Authority	DDA Construction Fund	Subdivision		
ASSETS							
Cash and Investments	\$ --	\$ --	\$ 35,978	\$ 35,666	\$ --	\$ 1,418,121	
Accounts Receivable	--	--	--	--	--	290,687	
Special Assessments Receivable	--	--	--	--	--	134,590	
Due from Other Governments	--	--	--	--	--	119,465	
Land Held for Sale	--	--	--	--	236,000	236,000	
Current due from other funds	--	--	--	--	--	42,800	
Total Assets	\$ --	\$ --	\$ 35,978	\$ 35,666	\$ 236,000	\$ 2,241,663	
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 114,176	
Accrued Liabilities	--	--	--	--	--	2,192	
Accrued Wages	--	--	--	--	--	3,564	
Current due to other funds	--	--	--	--	181,010	245,423	
Total Liabilities	\$ --	\$ --	\$ --	\$ --	\$ 181,010	\$ 365,355	
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Special Assessments	--	--	--	--	--	134,590	
Total Liabilities and Deferred Inflows of Resources	\$ --	\$ --	\$ --	\$ --	\$ 181,010	\$ 499,945	
FUND BALANCE							
Restricted	--	--	--	--	--	1,615,084	
Assigned	--	--	35,978	35,666	54,990	126,634	
Unassigned	--	--	--	--	--	--	
Total Fund Balance	\$ --	\$ --	\$ 35,978	\$ 35,666	\$ 54,990	\$ 1,741,718	
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ --	\$ --	\$ 35,978	\$ 35,666	\$ 236,000	\$ 2,241,663	

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue					Debt Service		
	Local Streets	Historical Fund	Housing and Redevelopment	Revolving Loan	Downtown Facade Program	2013 General Obligation Bonds	2010 General Obligation Bonds	
Revenues	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 74,874	
Property Taxes	649,439	--	20,383	4,162	--	391,186	--	
Intergovernmental	--	12,850	--	--	--	--	--	
Charges for Services	--	4,922	--	--	--	--	--	
Sales	42,301	--	--	--	--	--	--	
Special Assessments	64	181	1	873	3	--	--	
Interest	335	25,509	--	1	25,740	--	--	
Miscellaneous	692,139	43,462	20,384	5,036	25,743	391,186	74,874	
Total Revenues								
Expenditures								
Public Works	845,960	--	--	--	--	--	--	
Community and Economic Development	--	--	25,063	980	38,579	--	--	
Recreation and Culture	--	80,927	--	--	--	--	--	
Debt Service - Principal	--	--	--	--	--	250,000	40,000	
Debt Service - Interest	--	--	--	--	--	141,218	34,873	
Total Expenditures	845,960	80,927	25,063	980	38,579	391,218	74,873	
Excess of Revenues Over (Under) Expenditures	(153,821)	(37,465)	(4,679)	4,056	(12,836)	(32)	1	
Other Financing Sources (Uses)								
Transfers from other funds	339,166	33,000	164	--	42,800	--	--	
Transfers to other funds	--	--	--	(42,964)	--	--	--	
Net Other Financing Sources (Uses)	339,166	33,000	164	(42,964)	42,800	--	--	
Net Change in Fund Balance	185,345	(4,465)	(4,515)	(38,908)	29,964	(32)	1	
<i>Fund Balance at Beginning of Period</i>	102,587	73,755	4,515	1,266,420	--	395	13	
Fund Balance at End of Period	287,932	69,290	--	1,227,512	29,964	363	14	

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Debt Service						
	2009 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2011 Special Assessment Limited Tax Bonds	2012 Special Assessment Limited Tax Bonds	2013 Special Assessment Limited Tax Bonds	2014 Special Assessment Limited Tax Bonds	2016 Special Assessment Limited Tax Bonds
Revenues							
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	--	--	--	--	--
Charges for Services	--	--	--	--	--	--	--
Sales	--	--	--	--	--	--	--
Special Assessments	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--
Total Revenues	--	--	--	--	--	--	--
Expenditures							
Public Works	--	--	--	--	--	--	--
Community and Economic Development	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--	--
Total Expenditures	--	--	--	--	--	--	--
Excess of Revenues Over (Under) Expenditures	--	--	--	--	--	--	--
Other Financing Sources (Uses)							
Transfers from other funds	--	--	--	--	--	--	--
Transfers to other funds	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	--	--
Net Change in Fund Balance	9	9	9	9	9	9	9
Fund Balance at Beginning of Period	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Fund Balance at End of Period	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9	\$ 9

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Debt Service		Capital Projects			Total Nonmajor Governmental Funds
	2017 Special Assessment Limited Tax Bonds	2009 Limited Tax General Obligation Bonds	Building Authority	DDA Construction Fund	Subdivision	
Revenues						
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	466,060
Intergovernmental	--	80,118	--	--	--	754,102
Charges for Services	--	--	--	--	--	12,850
Sales	--	--	--	--	--	4,922
Special Assessments	--	--	--	--	--	42,301
Interest	--	--	14	14	--	1,150
Miscellaneous	--	--	--	--	3,347	54,932
Total Revenues	--	80,118	14	14	3,347	1,336,317
Expenditures						
Public Works	--	--	--	--	--	845,960
Community and Economic Development	--	--	--	--	--	64,622
Recreation and Culture	--	--	--	--	--	80,927
Debt Service - Principal	--	45,000	--	--	--	335,000
Debt Service - Interest	--	35,118	--	--	--	211,209
Total Expenditures	--	80,118	--	--	--	1,537,718
Excess of Revenues Over (Under) Expenditures	--	--	14	14	3,347	(201,401)
Other Financing Sources (Uses)						
Transfers from other funds	--	--	--	--	--	415,130
Transfers to other funds	--	--	--	--	--	(42,964)
Net Other Financing Sources (Uses)	--	--	--	--	--	372,166
Net Change in Fund Balance	--	--	14	14	3,347	170,765
Fund Balance at Beginning of Period	--	--	35,964	35,652	51,643	1,570,953
Fund Balance at End of Period	\$ --	\$ --	\$ 35,978	\$ 35,666	\$ 54,990	\$ 1,741,718

City of Owosso
Statement of Net Position and Governmental Fund Balance Sheet
Brownfield Redevelopment Authority Component Unit
June 30, 2018

	<u>Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 43,143	\$ --	\$ 43,143
Accounts Receivable	--	--	--
Due from Other Governments	--	--	--
Inventories	65,700	--	65,700
Total Assets	<u>108,843</u>	<u>--</u>	<u>108,843</u>
LIABILITIES			
<i>Current Liabilities</i>			
Due to Other Governments	65,700	--	65,700
Current Portion of Long-term Debt	--	115,928	115,928
Total Current Liabilities	<u>65,700</u>	<u>115,928</u>	<u>181,628</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,883,615	1,883,615
Total Liabilities	<u>65,700</u>	<u>1,999,543</u>	<u>2,065,243</u>
NET POSITION			
<i>Unassigned fund balance / Unrestricted Net Position</i>	43,143	(1,999,543)	(1,956,400)
Total Fund Balance / Net Position	<u>\$ 43,143</u>	<u>\$ (1,999,543)</u>	<u>\$ (1,956,400)</u>

City of Owosso
Statement of Activities and Governmental Fund Statement of
Revenues, Expenditures and Change in Fund Balance
Brownfield Redevelopment Authority Component Unit
For the Year Ended June 30, 2018

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Expenses			
Brownfield Redevelopment Authority	\$ 508,667	\$ 641	\$ 509,308
Debt Service Principal	14,233	(14,233)	--
<i>Total Expenses</i>	<u>522,900</u>	<u>(13,592)</u>	<u>509,308</u>
Program Revenues			
Operating grants and contributions	17,530	--	17,530
<i>Total Program Revenues</i>	<u>17,530</u>	<u>--</u>	<u>17,530</u>
<i>Net Program Revenues (Expenses)</i>	<u>(505,370)</u>	<u>--</u>	<u>(491,778)</u>
General Revenue			
Property Taxes	121,491	--	121,491
<i>Total General Revenues</i>	<u>121,491</u>	<u>--</u>	<u>121,491</u>
Other Financing Sources			
Issuance of Debt	10,188	(10,188)	--
<i>Change in Net Position</i>	<u>(373,691)</u>	<u>(3,404)</u>	<u>(370,287)</u>
<i>Net Position at Beginning of Period</i>	416,834	--	(1,586,113)
<i>Net Position at End of Period</i>	<u>\$ 43,143</u>	<u>\$ --</u>	<u>\$ (1,956,400)</u>