

City of Owosso,
Michigan



Year Ended
June 30, 2012

Financial
Statements and
Supplemental
Information

CITY OF OWOSSO

ELECTED OFFICERS

For the Year Ended June 30, 2012

ADMINISTRATION

CITY MANAGER

DONALD CRAWFORD

CITY COUNCIL

MAYOR

BENJAMIN FREDERICK

MAYOR PRO-TEM

CINDY POPOVITCH

COUNCIL MEMBER

LOREEN BAILEY

COUNCIL MEMBER

THOMAS COOK

COUNCIL MEMBER

MICHAEL ERFOURTH

COUNCIL MEMBER

CHRISTOPHER EVELETH

COUNCIL MEMBER

BURTON FOX

This page intentionally left blank

CITY OF OWOSSO

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13-14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities	16
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Changes in Net Assets of Governmental Activities	18
Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	19
Major Streets Fund	21
Statement of Net Assets - Proprietary Funds	22-23
Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25-26
Statement of Fiduciary Net Assets	27
Statement of Changes in Plan Net Assets - Pension Trust Fund	28
Combining Statement of Net Assets - Discretely Presented Component Units	29
Combining Statement of Activities - Discretely Presented Component Units	30
Notes to Financial Statements	31-56

CITY OF OWOSSO

Table of Contents

	<u>Page</u>
Required Supplementary Information:	
Schedule of Funding Progress and Employer Contributions - Employees Retirement	58
Schedule of Funding Progress and Employer Contributions - MERS	59
Schedule of Funding Progress and Employer Contributions - Postretirement Healthcare	60
Other Supplemental Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	62-67
Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	68-73

INDEPENDENT AUDITORS' REPORT

December 12, 2012

To the City Council
City of Owosso
Owosso, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Owosso, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

A handwritten signature in cursive script that reads "Lehmann Lobson". The signature is written in black ink and is centered on the page.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF OWOSSO

Management's Discussion and Analysis

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

The government-wide financial statements are designed to provide a broad overview of the City's finances and are presented on a full accrual basis of accounting, with an emphasis on measuring all economic resources and not just on current financial resources measured on the individual fund statements. These statements make a distinction between governmental activities such as public safety and public works and business-type activities such as the provision of water and sewer services. Two government-wide statements are provided.

The government-wide statement of net assets, presents information on all of the City's assets and liabilities with the difference shown as net assets. Increase or decreases of net assets from period to period provide useful information on the direction of the City's financial position over time.

The other government-wide statement, the statement of activities, provides information on how the government-wide net assets changed during the fiscal year. This statement provides information on income, expenses, and other increase or decreases in net assets.

Following the government-wide statements, individual fund financial statements are provided for the City's major and combined financial information is provided for nonmajor funds. These statements are grouped into governmental funds, which account for the cost of providing governmental-type services such as public safety and public works, proprietary funds, which account for business-type activities such as providing water and sewer services, and fiduciary funds, which account for assets held for outside parties.

Reconciliation between the individual fund statements and the government-wide financial statements is provided following the individual fund statements. The differences are primarily related to inclusion of capital assets and recognition of certain receivables and long-term liabilities, such as bonds, accrued interest, and accrued employee leave time, in the government-wide statement of net assets, which are not included in the fund balance sheets; and the recognition of certain revenues and expenditures such as bond proceeds, capital outlays, and debt principal repayment in the individual fund statements, which are not recorded in the government-wide statements.

Financial Highlights

- The total net assets for the City of Owosso are \$58,028,243. Of this amount, \$8,565,120 is unrestricted and available for any City activity. The net assets decreased \$348,279 from fiscal year 2011.
- Combined Program and General Revenue for the Primary Government activities amounted to \$13,080,560. Expenses of \$13,428,839 were above revenues by \$348,279.
- The combined fund balance at June 30, 2012 for the City's governmental funds was \$6,530,943. This was a decrease of \$355,824 from fiscal year 2011.
- General Fund expenditures exceeded revenues by \$121,254, causing the General Fund's fund balance to decrease accordingly.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The final sections include information regarding the City of Owosso. The required supplemental information would include such items as the City of Owosso's progress in funding its pension obligations and demographic information. In addition, the City has also provided discretionary information about the City that should further enhance the understanding of its operations.

Government-Wide Financial Analysis

As mentioned earlier, net assets provide useful benchmarks in determining overall financial position. The City of Owosso's combined net assets are \$58,028,243. This compares to last year's total of \$58,376,522 which was an decrease of \$348,279.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	9,321,475	9,866,599	6,547,660	6,591,764	15,869,135	16,458,363
Capital assets, net	36,649,741	37,133,689	14,107,993	14,137,029	50,757,734	51,270,718
Total assets	45,971,216	47,000,288	20,655,653	20,728,793	66,626,869	67,729,081
Current and other liabilities	655,206	925,868	212,530	235,594	867,736	1,161,462
Long-term liabilities	2,939,216	3,179,399	4,791,674	5,011,698	7,730,890	8,191,097
Total liabilities	3,594,422	4,105,267	5,004,204	5,247,292	8,598,626	9,352,559
Net assets:						
Invested in capital assets, net of related debt	34,497,287	34,777,895	9,516,207	9,335,243	44,013,494	44,113,138
Restricted for:						
Improvement and						
Replacement fund	-	844,628	2,193,093	2,044,552	2,193,093	2,889,180
Revenue bond reserve	-	139,947	350,000	350,000	350,000	489,947
Specific purpose	1,089,121	-	-	-	1,089,121	-
Debt service	490,389	-	-	-	490,389	-
Capital Projects	1,327,026	401,490	-	-	1,327,026	401,490
Unrestricted	4,972,971	6,731,061	3,592,149	3,751,706	8,565,120	10,482,767
Total net assets	42,376,794	42,895,021	15,651,449	15,481,501	58,028,243	58,376,522

Further review of the assets indicates that they are divided into three parts. The largest part, 81%, is the investment in capital assets (land, buildings, machinery and equipment) which cannot be readily liquidated or available for future spending. The second part is restricted assets, which can be used strictly for certain purposes. Finally, the last part is unrestricted assets which can be used for ongoing obligations or new activities.

Governmental Activities

Governmental activities are described in detail below. The City of Owosso's fiscal year 2012 experienced a decrease in net assets of \$518,227.

The decrease in net assets were caused by reduction of property taxes and state shared revenues, increased building maintenance and increased pension contributions.

The City of Owosso received capital and operating grant funds in the amount of \$419,747 and gas and weight tax contributions of \$1,037,055. These account for the items under "grants and contributions" for the Governmental Activities.

In 2012, governmental activities revenues decreased by \$687,704 due to the decline in capital grants, property taxes and state shared revenues. All primary governmental activities expenses decreased in whole by \$525,044 due to a decline in grant funded capital replacements.

In 2012, business activities revenues decreased by \$348,009 but year over year revenues from recurring operations were unchanged. Operational expenses in all three utility funds increased less than inflation at 1.8%.

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	1,040,170	1,004,464	5,097,271	5,069,251	6,137,441	6,073,715
Operating grants and Contributions	1,118,767	1,007,878	-	88,566	1,118,767	1,096,444
Capital grants and Contributions	338,035	1,134,544	-	330,500	338,035	1,465,044
General revenues:						
Property taxes	3,455,115	3,814,204	49,534	-	3,504,649	3,814,204
State Shared Revenues	1,577,981	1,507,239	-	-	1,577,981	1,507,239
Other	392,425	141,868	11,262	17,759	403,687	159,627
Total revenues	7,922,493	8,610,197	5,158,067	5,506,076	13,080,560	14,116,273
Expenses:						
General government	1,386,696	1,232,906	-	-	1,386,696	1,232,906
Public safety	3,574,274	3,488,054	-	-	3,574,274	3,488,054
Public works	2,705,196	3,014,156	-	-	2,705,196	3,014,156
Community and economic development	433,653	775,512	-	-	433,653	775,512
Recreation and culture	340,901	455,136	-	-	340,901	455,136
Water	-	-	1,981,528	1,928,385	1,981,528	1,928,385
Sewer	-	-	1,361,678	1,329,116	1,361,678	1,329,116
Wastewater	-	-	1,595,373	1,584,702	1,595,373	1,584,702
Transportation	-	-	49,540	55,285	49,540	55,285
Total expenses	8,440,720	8,965,764	4,988,119	4,897,488	13,428,839	13,863,252
Change in net assets	(518,227)	(355,567)	169,948	608,588	(348,279)	253,021
Net assets:						
Beginning of year	42,895,021	43,250,588	15,481,501	14,872,913	58,376,522	58,123,501
End of year	42,376,794	42,895,021	15,651,449	15,481,501	58,028,243	58,376,522

Financial Analysis of the City's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,530,943 or 78% of annual operating expenditures. More detail on available, spendable balances can be found in footnote 18.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance is \$3,609,369. The General Fund fund balance decreased by \$121,254 due to employee buyouts reducing staff by five, major repairs to the Library and an accelerated playscape build out.

The Major Streets fund balance increased from \$67,986 to \$131,302. The increase is attributable to an increase in pre-payment of special assessment installments which will be reserved for future obligations. The Major Street fund is a major fund for accounting purposes and is presented separately in the basic financial statements.

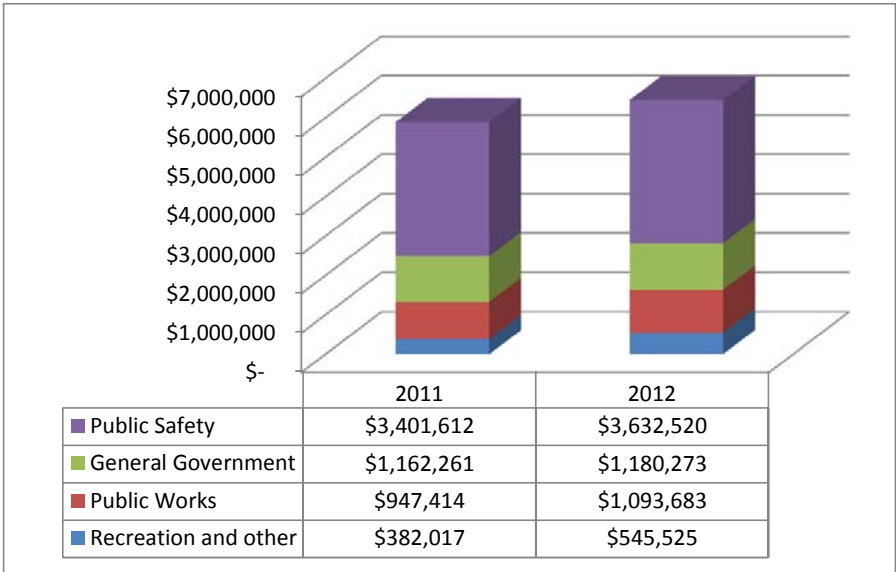
The non-major funds include Special Revenue Funds and have a total fund balance of \$2,790,272. This was a decrease in fund balance over the previous year of \$277,886. The decrease represents a drawdown of bond proceeds in the Capital Projects Funds to pay for street improvements.

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

The proprietary funds of the City of Owosso are comprised of the water, sewer wastewater and transportation funds. Similar types of information are found here as compared to the government-wide statements but with more detail. The Water Fund’s net assets were increased by \$149,110 to \$7,176,026. The Sewer Fund’s net assets increased by \$137,331, to \$3,278,327. The Wastewater Fund’s net assets decreased by \$116,487 to \$5,197,020. The decrease in the Wastewater Fund net assets reflects equipment replacements charges to the four governmental units and do not fully fund depreciation expense.

General Fund Budgetary Highlights

The General Fund accounts for police, public works, community development, recreation and administrative functions of the City government. The budget is monitored closely, and during the annual budget process, the City completes an extensive review of the current year budget, culminating in amendments to appropriate revised revenue and expenditure estimates. As a result of careful monitoring throughout the year, a practice and a history of conservative budgeting, and cost containment measures, differences between the original and final amended budgets for revenues and expenditures were relatively minor. Budget to actual results for the year were also relatively minor. Public Safety expenses increased from last fiscal year were due to separation costs for the layoff of two deputy chiefs, payoffs of sick and vacation time for retiring officers and increases in health insurance. Public Works increase in expenditures were due to an expanding curbside waste recycling program. Recreational offerings were greatly improved with the construction of a multi feature playscape at Bentley Park, increasing year over year expenditures.



Capital Asset and Debt Administration

At June 30, 2012, the City of Owosso's investment in capital assets for the governmental and business-type activities amounted to \$44,013,494 (net of depreciation and related debt). The investment in capital assets covers a broad variety of land, buildings, machinery, equipment, roads, highways, and bridges. The investment in capital assets decreased \$512,981 due to value adjustments for street improvements completed in the current year, originally constructed prior to 1980. Please see the Capital Assets footnote for further detail.

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

Long-Term Debt

At June 30, 2012, the City had \$2,789,450 in bonds and obligations outstanding and compensated absences for governmental activities and \$4,729,682 in bonds outstanding and compensated absences for business-type activities. No new debt or obligations were issued during the year. Governmental activities long-term debt and obligations decreased \$538,691 while business-type activities long-term debt decreased \$292,509.

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

Economic Factors and Next Year's Budget and Rates

Macroeconomic conditions remain a concern. Tax revenues are expected to begin stabilizing in FY 2013-14. Statutory revenue sharing from the State was cut by a third and replaced with an incentive program that require local units to qualify. Further budgetary pressures are expected as state legislation to reduce and phase out personal property taxes, which comprise 11% of our tax base, gains support for passage.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF OWOSSO

Statement of Net Assets

June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 7,245,120	\$ 2,455,348	\$ 9,700,468	\$ 71,499
Receivables, net	1,776,606	1,129,353	2,905,959	170,601
Internal balances	(320,343)	320,343	-	-
Inventories	341,588	140,871	482,459	89,812
Prepays and other assets	23,197	11,705	34,902	-
Restricted cash and investments	255,307	2,490,040	2,745,347	-
Capital assets not being depreciated	4,462,099	804,234	5,266,333	-
Capital assets being depreciated, net	32,187,642	13,303,759	45,491,401	-
Total assets	45,971,216	20,655,653	66,626,869	331,912
Liabilities				
Accounts payable	488,118	60,525	548,643	58,037
Accrued and other liabilities	167,088	152,005	319,093	138,343
Long-term liabilities:				
Due within one year	339,510	269,474	608,984	21,660
Due in more than one year	2,449,940	4,460,208	6,910,148	185,020
Net OPEB obligation	149,766	61,992	211,758	-
Total liabilities	3,594,422	5,004,204	8,598,626	403,060
Net Assets				
Invested in capital assets, net of related debt	34,497,287	9,516,207	44,013,494	-
Restricted for:				
Capital projects	1,327,026	-	1,327,026	-
Debt service	490,389	-	490,389	-
Specific Purpose	1,089,121	-	1,089,121	-
Revenue bond reserve	-	350,000	350,000	-
Improvement and replacement	-	2,193,093	2,193,093	-
Unrestricted	4,972,971	3,592,149	8,565,120	(71,148)
Total net assets	\$ 42,376,794	\$ 15,651,449	\$ 58,028,243	\$ (71,148)

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

CITY OF OWOSSO

Statement of Activities

For the Year Ended June 30, 2012

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,306,323	\$ 200,227	\$ 72,225	\$ -	\$ (1,033,871)
Public safety	3,574,274	598,897	-	190,087	(2,785,290)
Public works	2,705,196	139,889	1,037,055	10,764	(1,517,488)
Community and economic development	433,653	82,300	-	137,184	(214,169)
Recreation and culture	340,901	18,857	9,487	-	(312,557)
Interest on debt	80,373	-	-	-	(80,373)
Total governmental activities	8,440,720	1,040,170	1,118,767	338,035	(5,943,748)
Business-type activities:					
Water	1,981,528	2,125,275	-	-	143,747
Sewer	1,361,678	1,497,242	-	-	135,564
Wastewater	1,595,373	1,474,754	-	-	(120,619)
Shiawassee Area Transportation Authority	49,540	-	-	-	(49,540)
Total business-type activities	4,988,119	5,097,271	-	-	109,152
Total primary government	\$ 13,428,839	\$ 6,137,441	\$ 1,118,767	\$ 338,035	\$ (5,834,596)
Component units					
Downtown Development Authority	\$ 196,437	\$ -	\$ -	\$ -	\$ (196,437)
Brownfield Redevelopment Authority	37,860	-	13,350	-	(24,510)
Total component units	\$ 234,297	\$ -	\$ 13,350	\$ -	\$ (220,947)

continued...

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

CITY OF OWOSSO

Statement of Activities (Continued)
For the Year Ended June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (5,943,748)	\$ 109,152	\$ (5,834,596)	\$ (220,947)
General revenues:				
Property taxes	3,455,115	49,534	3,504,649	245,456
Grants and contributions not restricted to specific programs	1,577,981	-	1,577,981	-
Unrestricted investment earnings	44,948	11,262	56,210	13,390
Miscellaneous revenue	347,477	-	347,477	-
Total general revenues and transfers	5,425,521	60,796	5,486,317	258,846
Change in net assets	(518,227)	169,948	(348,279)	37,899
Net assets (deficit), beginning of year	42,895,021	15,481,501	58,376,522	(109,047)
Net assets, end of year	\$ 42,376,794	\$ 15,651,449	\$ 58,028,243	\$ (71,148)

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

CITY OF OWOSSO

Balance Sheet

Governmental Funds

June 30, 2012

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 5,817,229	\$ -	\$ 1,427,891	\$ 7,245,120
Receivables, net:				
Accounts	675,823	117,242	495,784	1,288,849
Delinquent taxes	17,909	-	-	17,909
Special assessments	-	-	326,480	326,480
Accrued interest	-	-	1,045	1,045
Due from other funds	295,330	182,820	919,247	1,397,397
Due from other governments	124,630	-	17,693	142,323
Inventories	97,588	-	-	97,588
Land held for sale	-	-	244,000	244,000
Other assets	23,197	-	-	23,197
Total assets	\$ 7,051,706	\$ 300,062	\$ 3,432,140	\$ 10,783,908
Liabilities				
Accounts payable	\$ 149,004	\$ 132,242	\$ 20,962	\$ 302,208
Accrued liabilities	99,268	-	820	100,088
Accrued wages	62,784	572	1,911	65,267
Due to other funds	2,789,138	35,946	269,485	3,094,569
Due to other governmental units	53,501	-	7,100	60,601
Deferred revenue	288,642	-	341,590	630,232
Total liabilities	3,442,337	168,760	641,868	4,252,965
Fund balances				
Nonspendable				
Inventories	97,588	-	-	97,588
Prepays	23,197	-	-	23,197
Restricted	-	63,325	1,463,246	1,526,571
Committed	1,621,077	-	-	1,621,077
Assigned	583,840	67,977	1,327,026	1,978,843
Unassigned	1,283,667	-	-	1,283,667
Total fund balances	3,609,369	131,302	2,790,272	6,530,943
Total liabilities and fund balances	\$ 7,051,706	\$ 300,062	\$ 3,432,140	\$ 10,783,908

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

CITY OF OWOSSO

Reconciliation

Fund Balances for Governmental Funds
to Net Assets of Governmental Activities
June 30, 2012

Fund balances - total governmental funds	\$ 6,530,943
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Net assets held with an agent for self insurance are not financial resources, and therefore are not reported in the fund statement.	255,307
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	4,462,099
Capital assets being depreciated, net	31,578,897
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 revenue in the governmental funds, and thus are not included in fund balance.	
Deferred property taxes receivable	630,232
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.	
Net assets of governmental activities accounted for in internal service funds	1,958,137
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Accrued interest on long-term debt	(15,156)
Bonds payable	(1,815,000)
Installment purchases	(337,454)
Landfill remediation liability	(148,772)
Self insurance liability	(103,322)
Other postemployment benefits	(149,766)
Compensated absences and early retirement	(469,351)
Net assets of governmental activities	<u>\$ 42,376,794</u>

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

CITY OF OWOSSO

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 3,440,202	\$ -	\$ 14,913	\$ 3,455,115
Licenses and permits	82,300	-	-	82,300
Intergovernmental	1,734,548	880,477	628,307	3,243,332
Charges for services	776,928	-	38,659	815,587
Interest revenue	40,348	-	4,600	44,948
Miscellaneous revenues	226,559	72,171	92,962	391,692
Total revenue	6,300,885	952,648	779,441	8,032,974
Expenditures				
Current:				
General government	1,180,273	-	235,334	1,415,607
Public safety	3,632,520	-	-	3,632,520
Public works	1,093,683	784,787	770,489	2,648,959
Community and economic development	192,798	-	46	192,844
Parks and recreation	352,727	-	-	352,727
Debt service:				
Principal	-	-	45,000	45,000
Interest and fiscal charges	-	-	81,141	81,141
Total expenditures	6,452,001	784,787	1,132,010	8,368,798
Revenues over (under) expenditures	(151,116)	167,861	(352,569)	(335,824)
Other financing sources (uses)				
Transfers in	40,862	95,334	422,426	558,622
Transfers out	(11,000)	(199,879)	(347,743)	(558,622)
Total other financing sources (uses)	29,862	(104,545)	74,683	-
Net change in fund balances	(121,254)	63,316	(277,886)	(335,824)
Fund balances, beginning of year	3,730,623	67,986	3,068,158	6,866,767
Fund balances, end of year	\$ 3,609,369	\$ 131,302	\$ 2,790,272	\$ 6,530,943

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

CITY OF OWOSSO

Reconciliation

Net Changes in Fund Balance of Governmental Funds
to Change in Net Assets of Governmental Activities
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (335,824)

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

Change in net assets held with an agent for self-insurance. (16,052)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	985,798
Loss on sale of capital assets	(108,037)
Depreciation expense	(1,261,826)

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

Current year change in long-term receivables (123,844)

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

Principal payments on long-term liabilities	45,000
Principal payments on installment purchases	158,340

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

Change in accrual for compensated absences and early retirement incentive	74,052
Change in other postemployment benefits liability	(36,551)
Change in accrued interest payable on long-term debt	578

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

Operating income (loss) from governmental activities in internal service funds	<u>100,139</u>
--	----------------

Change in net assets of governmental activities \$ (518,227)

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

CITY OF OWOSSO

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Property taxes	\$ 3,451,000	\$ 3,440,025	\$ 3,440,202	\$ 177
Other local sources	1,011,750	812,975	899,576	86,601
State and federal sources	1,368,100	1,963,075	1,961,107	(1,968)
Total revenue	5,830,850	6,216,075	6,300,885	84,810
Expenditures				
Current:				
General government	1,224,525	1,254,025	1,180,273	(73,752)
Public safety	3,368,825	3,719,825	3,632,520	(87,305)
Public works	843,175	1,101,825	1,093,683	(8,142)
Community and economic development	305,825	210,125	192,798	(17,327)
Parks and recreation	236,925	356,425	352,727	(3,698)
Total expenditures	5,979,275	6,642,225	6,452,001	(190,224)
Revenues over (under) expenditures	(148,425)	(426,150)	(151,116)	(275,034)
Other financing sources (uses)				
Transfer in	50,000	41,000	40,862	(138)
Transfer out	(17,450)	(11,000)	(11,000)	-
Total other financing uses	32,550	30,000	29,862	(138)
Net change in fund balance	(115,875)	(396,150)	(121,254)	(274,896)
Fund balance, beginning of year	3,730,623	3,730,623	3,730,623	-
Fund balance, end of year	\$ 3,614,748	\$ 3,334,473	\$ 3,609,369	\$ (274,896)

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

This page intentionally left blank

CITY OF OWOSSO

Statement of Revenue, Expenditures and Changes in Fund Balances

Budget and Actual - Major Streets Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenue				
Federal	\$ 288,000	\$ 114,000	\$ 114,037	\$ 37
State	702,500	758,450	766,440	7,990
Other	176,800	67,875	72,171	4,296
Total revenue	1,167,300	940,325	952,648	12,323
Expenditures				
Public works	1,178,125	876,400	784,787	(91,613)
Revenues over (under) expenditures	(10,825)	63,925	167,861	103,936
Other financing sources (uses)				
Transfer in	184,025	108,400	95,334	(13,066)
Transfer out	(173,200)	(240,300)	(199,879)	40,421
Total other financing sources (uses)	10,825	(131,900)	(104,545)	27,355
Net change in fund balances	-	(67,975)	63,316	131,291
Fund balances, beginning of year	67,986	67,986	67,986	-
Fund balances, end of year	\$ 67,986	\$ 11	\$ 131,302	\$ 131,291

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

CITY OF OWOSSO

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Enterprise Funds					Governmental Activities
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Funds	Total	Internal Service Fund
Assets						
Current assets:						
Cash and cash equivalents	\$ 748,441	\$ 1,653,851	\$ 53,056	-	\$ 2,455,348	\$ -
Receivables, net:						
Accounts	647,794	481,483	-	76	1,129,353	-
Due from other funds	104,307	22,044	420,758	-	547,109	1,376,829
Inventories	140,871	-	-	-	140,871	-
Prepaid expenses	11,705	-	-	-	11,705	-
Total current assets	1,653,118	2,157,378	473,814	76	4,284,386	1,376,829
Noncurrent assets:						
Other assets:						
Restricted cash	350,000	-	2,140,040	-	2,490,040	-
Capital assets:						
Land	545,934	258,300	-	-	804,234	-
Buildings	6,985,985	-	6,253,951	-	13,239,936	-
Improvements other than buildings	8,289,131	2,394,651	-	-	10,683,782	-
Vehicles	27,882	-	-	-	27,882	1,977,152
Machinery and equipment	469,551	-	9,873,247	-	10,342,798	1,167,677
Total capital assets	16,318,483	2,652,951	16,127,198	-	35,098,632	3,144,829
Less: accumulated depreciation	6,970,384	590,776	13,429,479	-	20,990,639	2,536,084
Net capital assets	9,348,099	2,062,175	2,697,719	-	14,107,993	608,745
Total noncurrent assets	9,698,099	2,062,175	4,837,759	-	16,598,033	608,745
Total assets	11,351,217	4,219,553	5,311,573	76	20,882,419	1,985,574

continued...

	Enterprise Funds					Governmental Activities
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Funds	Total	Internal Service Fund
Liabilities						
Current liabilities:						
Accounts payable	\$ 39,002	\$ 6,082	\$ 11,211	\$ -	\$ 56,295	\$ 6,831
Accrued liabilities	126,638	16	-	-	126,654	-
Accrued wages	7,381	1,838	7,633	-	16,852	1,733
Due to other funds	-	223,984	2,782	-	226,766	-
Accrued Interest	8,499	4,230	-	-	12,729	-
Accrued compensated absences - current	13,815	4,220	16,440	-	34,474	4,522
Notes payable - current	-	30,000	-	-	30,000	-
Bonds payable - current	205,000	-	-	-	205,000	-
Total current liabilities	400,335	270,370	38,066	-	708,770	13,086
Long-term liabilities:						
Accrued compensated absences	41,444	12,660	49,319	-	103,422	14,351
Notes payable	-	646,786	-	-	646,786	-
Bonds payable	3,710,000	-	-	-	3,710,000	-
Net OPEB obligation	23,413	11,410	27,169	-	61,992	-
Total long-term liabilities	3,774,857	670,856	76,488	-	4,522,200	14,351
Total liabilities	4,175,191	941,226	114,553	-	5,230,970	27,437
Net assets						
Invested in capital assets, net of related debt	5,433,099	1,385,389	2,697,719	-	9,516,207	608,745
Restricted for:						
Improvement fund	-	-	552,166	-	552,166	-
Replacement fund	700,122	-	1,640,930	-	2,341,052	-
Debt service	350,000	-	-	-	350,000	-
Unrestricted	692,805	1,892,938	306,205	76	2,892,024	1,349,392
Total net assets	\$ 7,176,026	\$ 3,278,327	\$ 5,197,020	\$ 76	\$ 15,651,449	\$ 1,958,137

concluded

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

CITY OF OWOSSO

Statement of Revenue, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2012

	Enterprise Funds				Governmental	
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Fund	Total	Internal Service Fund
Operating revenue						
Sale of water	\$ 2,041,911	\$ -	\$ -	\$ -	\$ 2,041,911	\$ -
Sewage disposal charges	-	1,467,719	-	-	1,467,719	-
Property taxes	-	-	-	49,534	49,534	-
Other charges for services	-	-	1,343,999	-	1,343,999	498,976
Total operating revenue	2,041,911	1,467,719	1,343,999	49,534	4,903,163	498,976
Operating expenses						
Personnel services	679,245	131,118	551,931	-	1,362,294	143,927
Administrative and engineering services	200,000	40,000	165,186	-	405,186	28,000
Contractual and professional services	57,536	29,435	24,143	49,540	160,654	-
Supplies and chemicals	150,092	9,352	95,693	-	255,137	36,370
Utilities	136,665	2,174	252,460	-	391,299	-
Insurance	52,115	11,363	52,750	-	116,228	20,616
Maintenance	260,984	36,403	155,258	-	452,645	67,473
Plant charges	-	1,037,467	-	-	1,037,467	-
Depreciation	276,596	46,427	208,269	-	531,292	99,883
Total operating expenses	1,813,233	1,343,739	1,505,690	49,540	4,712,202	396,269
Operating income (loss)	228,678	123,980	(161,691)	(6)	190,961	102,707
Nonoperating revenue (expenses)						
Investment income	5,363	1,767	4,132	-	11,262	-
Rent income	15,264	-	-	-	15,264	-
Equipment replacement cost	-	-	126,000	-	126,000	-
Reimbursement and miscellaneous income	54,680	28,383	-	-	83,063	-
Permits	880	1,140	-	-	2,020	-
Miscellaneous	11,146	(457)	4,755	-	15,444	(1,274)
Replacement expense	-	-	(89,683)	-	(89,683)	(1,294)
Interest expense	(166,901)	(17,482)	-	-	(184,383)	-
Total nonoperating revenue (expense)	(79,568)	13,351	45,204	-	(21,013)	(2,568)
Change in net assets	149,110	137,331	(116,487)	(6)	169,948	100,139
Net assets, beginning of year	7,026,916	3,140,996	5,313,507	82	15,481,501	1,857,998
Net assets, end of year	\$ 7,176,026	\$ 3,278,327	\$ 5,197,020	\$ 76	\$ 15,651,449	\$ 1,958,137

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

CITY OF OWOSSO

Statement of Cash Flows

Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds				Governmental	
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities						
Cash received from customers and users	\$ 1,995,668	\$ 1,453,201	\$ 1,357,664	\$ 49,540	\$ 4,856,073	\$ 292,166
Cash payments to suppliers for goods and services	(669,775)	(1,126,381)	(584,176)	(49,540)	(2,429,872)	(126,295)
Cash payments to employees for services	(887,356)	(170,715)	(707,813)	-	(1,765,884)	(163,303)
Cash payments for internal services provided	(177,523)	320,809	(106,749)	-	36,537	-
Net cash provided (used) by operating activities	261,014	476,914	(41,074)	-	696,854	2,568
Cash flows from capital and related financing activities						
Purchase of capital assets	(247,783)	(254,473)	-	-	(502,256)	-
Debt service and replacement charges	-	-	36,317	-	36,317	-
Principal paid on debt	(180,000)	(30,000)	-	-	(210,000)	-
Other non-operating receipts (payments)	81,970	29,066	4,755	-	115,791	(2,568)
Interest paid on debt	(166,901)	(17,482)	-	-	(184,383)	-
Net cash provided (used) by capital and related financing activities	(512,714)	(272,889)	41,072	-	(744,531)	(2,568)
Cash flows from investing activities						
Interest received on investments	5,363	1,767	4,132	-	11,262	-
Net increase (decrease) in cash and cash equivalents	(246,337)	205,792	4,130	-	(36,415)	-
Cash and cash equivalents, beginning of year	1,344,778	1,448,059	2,188,966	-	4,981,803	-
Cash and cash equivalents, end of year	\$ 1,098,441	\$ 1,653,851	\$ 2,193,096	\$ -	\$ 4,945,388	\$ -

continued...

CITY OF OWOSSO

Statement of Cash Flows

Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds				Governmental	
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Funds	Total	Internal Service Fund
Cash flows from operating activities						
Operating income (loss)	\$ 228,678	\$ 123,980	\$ (161,691)	\$ (6)	\$ 190,961	\$ 102,707
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	276,596	46,427	208,269	-	531,292	99,883
Change in:						
Accounts receivable	(46,243)	(14,518)	13,665	6	(47,090)	-
Due from other funds	(61,624)	153,255	(106,749)	-	(15,118)	(206,810)
Due from other governments	72	-	-	-	72	-
Inventories	16,515	-	-	-	16,515	-
Prepaid expenses	1,799	-	-	-	1,799	-
Accounts payable	(7,539)	3,430	(3,872)	-	(7,981)	5,548
Accrued liabilities	5,725	502	1,963	-	8,190	582
Due to other funds	(115,971)	167,554	-	-	51,583	-
Interest payable	(23,158)	(187)	-	-	(23,345)	-
Accrued compensated absences	(19,845)	(5,987)	1,194	-	(24,638)	658
Net OPEB obligation	6,009	2,458	6,147	-	14,614	-
Net cash provided by (used in) operating activities	\$ 261,014	\$ 476,914	\$ (41,074)	\$ -	\$ 696,854	\$ 2,568

concluded

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

CITY OF OWOSSO

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

	Pension Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 611,834	\$ 4,320
Cash held by ICMA	73,182	-
Investments, at fair value:		
Money market accounts	957,706	-
Mutual funds	161,766	-
Stocks	15,063,992	-
Corporate bonds	11,496,149	-
Accounts receivable	-	84
Interest receivable	101,219	-
	<u>28,465,848</u>	<u>\$ 4,404</u>
Liabilities		
Accounts payable	117,297	3,994
Due to other governments	-	410
	<u>117,297</u>	<u>\$ 4,404</u>
Net assets		
Held in trust for employees' pension benefits	<u>\$ 28,348,551</u>	

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

CITY OF OWOSSO

Statement of Changes in Plan Net Assets

Pension Trust Fund

For the Year Ended June 30, 2012

Additions

Contributions:

Employer	\$ 550,684
Plan members	205,513

Total contributions 756,197

Investment income:

Interest and dividends	<u>775,718</u>
------------------------	----------------

Total additions 1,531,915

Deductions

Net depreciation in fair value of investments	1,996,032
Benefit payments	1,926,953
Refunds of contributions	12,791
Employee transfer	204,001
Administrative expenses	177,347

Total deductions 4,317,124

Change in net assets (2,785,209)

Net assets held in trust for pension benefits, beginning of year 31,133,760

Net assets, end of year \$ 28,348,551

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

CITY OF OWOSSO

Combining Statement of Net Assets

Discretely Presented Component Units

June 30, 2012

	Downtown Development Authority	Brownfield Redevelopment Authority	Totals
Assets			
Cash and cash equivalents	\$ 71,499	\$ -	\$ 71,499
Receivables:			
Accounts	110,000	-	110,000
Due from other governments	-	60,601	60,601
Inventory	-	89,812	89,812
Total assets	181,499	150,413	331,912
Liabilities			
Accounts payable	25,212	32,825	58,037
Due to other funds	9,328	129,015	138,343
Long-term debt:			
Notes payable	14,165	192,515	206,680
Total liabilities	48,705	354,355	403,060
Net assets			
Unrestricted (deficit)	\$ 132,794	\$ (203,942)	\$ (71,148)

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

CITY OF OWOSSO

Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2012

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Expenses			
Downtown Development Authority	\$ 196,437	\$ -	\$ 196,437
Brownfield Redevelopment Authority	-	37,860	37,860
Total Expenses	196,437	37,860	234,297
Program Revenues			
Operating grants and contributions	-	13,350	13,350
Capital grants and contributions	-	-	-
Total program revenues	-	13,350	13,350
Net revenue (expense)	(196,437)	(24,510)	(220,947)
General revenues			
Property taxes	202,034	43,422	245,456
Interest revenue	29	-	29
Other revenue	11,943	1,418	13,361
Total general revenues	214,006	44,840	258,846
Change in net assets	17,569	20,330	37,899
Net assets (deficit), beginning of year	115,225	(224,272)	(109,047)
Net assets (deficit), end of year	\$ 132,794	\$ (203,942)	\$ (71,148)

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF OWOSSO

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Discretely Presented Component Units

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

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

Separate financial statements for the Brownfield Redevelopment Authority are not prepared.

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

CITY OF OWOSSO

Notes to Financial Statements

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

The *Employees' Retirement System* is a seven-member pension board that includes three individuals chosen by the City Council. The system is reported within the City's basic financial statements even though its resources cannot be used to fund the City's operations because of the fiduciary responsibility that the City retains relative to the operations of the retirement system.

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

CITY OF OWOSSO

Notes to Financial Statements

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

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

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

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

Assets, liabilities and equity

Deposits and investments

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

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

Receivables and payables

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

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

CITY OF OWOSSO

Notes to Financial Statements

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

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

Restricted assets

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

Property taxes

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

Inventories and prepaid items

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

Capital assets

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

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

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

CITY OF OWOSSO

Notes to Financial Statements

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

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

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

Compensated absences

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

Long-term obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CITY OF OWOSSO

Notes to Financial Statements

Fund equity

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

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

2. BUDGETARY INFORMATION

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

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

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

3. DEFICIT FUND EQUITY

The Housing and Redevelopment Fund had an unassigned fund deficit at year-end of \$897. The Housing and Redevelopment Fund will utilize revenues received from the State in order to eliminate this deficit.

The Brownfield Redevelopment Authority had a net deficit at the government-wide basis at year-end of \$203,942. 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 Financial Statements

4. DEPOSITS AND INVESTMENTS

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

Following is a reconciliation of deposit and investment balances as of June 30, 2012:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Component Units	Totals
Statement of Net Assets					
Cash and investments	\$ 7,245,120	\$ 2,455,348	\$ 689,336	\$ 71,499	\$ 10,461,303
Restricted cash and investments	255,307	2,490,040	27,679,613	-	30,424,960
Total	\$ 7,500,427	\$ 4,945,388	\$ 28,368,949	\$ 71,499	\$ 40,886,263
Deposits and investments					
Checking and savings accounts				\$ 4,939,646	
Investments				35,944,642	
Cash on hand				1,975	
Total				\$ 40,886,263	

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, 2012, the carrying value of deposits owned by the City was \$12,841,972. Approximately \$3,264,076 of the City's bank balance was covered by federal depository insurance. The remaining balance of \$9,577,896 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2012:

Pooled investments:	
Money market funds	\$ 4,412,272
Securities	18,759,643
Bonds	12,772,727
Total	\$ 35,944,642

CITY OF OWOSSO

Notes to Financial Statements

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2012, 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.

	Fair Value	Due < 1 year	Due in 1-5 Years	Due in 6-10 Years	Due in More than 10 Years
Primary government:					
Money market funds	\$ 3,454,566	\$ -	\$ -	\$ -	\$ -
Equities	3,533,885	-	-	-	-
Municipal obligations	1,276,578	-	1,276,578	-	-
Total primary government	8,265,029	-	1,276,578	-	-
Pension trust fund:					
Money market funds	957,707	-	-	-	-
Equities	15,225,757	-	-	-	-
Corporate bonds	4,345,045	344,933	1,740,443	1,003,168	1,256,501
Municipal obligations	279,030	-	-	279,030	-
Government securities	6,872,074	1,535,753	2,036,934	1,727,424	1,571,963
Total pension	27,679,613	1,880,686	3,777,377	3,009,622	2,828,464
Total investments	\$ 35,944,642				

S & P Rating

Money market funds	Not rated
Corporate bonds	AAA-D
Municipal obligations	A-
Government securities	AAA-A+

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

CITY OF OWOSSO

Notes to Financial Statements

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

The Employee Retirement System's investment policy on credit risk for allowable debt securities follows the City. The credit rating for each investment type is identified in the above table for debt securities held at June 30, 2012.

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.

5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 1,288,849	\$ 1,132,277	\$ 110,000
Taxes	21,409	-	-
Interest	1,045	-	-
Intergovernmental	142,323	76	60,601
Special assessments	326,480	-	-
Gross receivables	1,780,106	1,132,353	170,601
Less: Allowance for uncollectibles	(3,500)	(3,000)	-
Net total receivables	<u>\$ 1,776,606</u>	<u>\$ 1,129,353</u>	<u>\$ 170,601</u>

Of the special assessment receivable balance \$272,435 has been deferred and will not be collected within one year.

CITY OF OWOSSO

Notes to Financial Statements

6. ACCOUNTS PAYABLE

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 309,039	\$ 56,295	\$ 58,037
Due to other governments	60,601	-	-
Accrued interest on long-term debt	15,156	4,230	-
Other	103,322		
	<u>\$ 488,118</u>	<u>\$ 60,525</u>	<u>\$ 58,037</u>

7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012, was as follows:

Due to and from primary government funds

	Due from Other Funds	Due to Other Funds
General Fund	\$ 295,330	\$ 2,789,138
Major streets	182,820	35,946
Nonmajor governmental funds	919,247	269,485
Water supply	104,307	-
Sewage disposal	22,044	223,984
Wastewater treatment	420,758	2,782
Internal service	1,376,829	-
	<u>\$ 3,321,335</u>	<u>\$ 3,321,335</u>

For the year ended June 30, 2012, interfund transfers consisted of the following:

Transfers in				
Transfers Out	General Fund	Major Streets	Nonmajor Governmental Funds	Totals
General Fund	\$ -	\$ -	\$ 11,000	\$ 11,000
Major streets	-	-	199,879	199,879
Nonmajor governmental fund	40,862	95,334	211,547	347,743
	<u>\$ 40,862</u>	<u>\$ 95,334</u>	<u>\$ 422,426</u>	<u>\$ 558,622</u>

CITY OF OWOSSO

Notes to Financial Statements

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

8. CAPITAL ASSETS

Primary government

Capital asset activity for the primary government for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 4,456,799	\$ 5,300	\$ -	\$ -	\$ 4,462,099
Capital assets, being depreciated:					
Roads and sidewalks	45,691,974	663,106	(93,567)	-	46,261,513
Land improvements	3,442,699	94,425	-	-	3,537,124
Buildings	2,817,189	48,309	(33,440)	-	2,832,058
Vehicles	3,770,818	22,171	(89,090)	-	3,703,899
Office furnishings	1,251,724	6,159	-	-	1,257,883
Machinery and equipment	2,071,776	146,328	-	-	2,218,104
	<u>59,046,180</u>	<u>980,498</u>	<u>(216,097)</u>	<u>-</u>	<u>59,810,581</u>
Less accumulated depreciation for:					
Roads and sidewalks	(17,655,284)	(913,839)	-	-	(18,569,123)
Land improvements	(1,503,894)	(124,788)	-	-	(1,628,682)
Buildings	(1,967,278)	(64,457)	18,970	-	(2,012,765)
Vehicles	(2,483,552)	(132,868)	89,090	-	(2,527,330)
Office furnishings	(1,113,082)	(44,398)	-	-	(1,157,480)
Machinery and equipment	(1,646,200)	(81,359)	-	-	(1,727,559)
	<u>(26,369,290)</u>	<u>(1,361,709)</u>	<u>108,060</u>	<u>-</u>	<u>(27,622,939)</u>
Total capital assets being depreciated, net	<u>32,676,890</u>	<u>(381,211)</u>	<u>(108,037)</u>	<u>-</u>	<u>32,187,642</u>
Governmental activities capital assets, net	<u>\$ 37,133,689</u>	<u>\$ (375,911)</u>	<u>\$ (108,037)</u>	<u>\$ -</u>	<u>\$ 36,649,741</u>

CITY OF OWOSSO

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 524,314	\$ 2,920	\$ -	\$ -	\$ 527,234
Construction in progress	277,000	-	-	-	277,000
	<u>801,314</u>	<u>2,920</u>	<u>-</u>	<u>-</u>	<u>804,234</u>
Capital assets, being depreciated:					
Buildings	13,239,935	-	-	-	13,239,935
Improvements, other than					
Buildings	10,184,452	499,336	-	-	10,683,788
Vehicles	27,882	-	-	-	27,882
Machinery and equipment	10,342,793	-	-	-	10,342,793
	<u>33,795,062</u>	<u>499,336</u>	<u>-</u>	<u>-</u>	<u>34,294,398</u>
Less accumulated depreciation for:					
Buildings	(6,181,000)	(251,461)	-	-	(6,432,461)
Improvements, other than					
Buildings	(4,389,589)	(193,254)	-	-	(4,582,843)
Vehicles	(27,860)	-	-	-	(27,860)
Machinery and equipment	(9,860,898)	(86,577)	-	-	(9,947,475)
	<u>(20,459,347)</u>	<u>(531,292)</u>	<u>-</u>	<u>-</u>	<u>(20,990,639)</u>
Total capital assets being depreciated, net	<u>13,335,715</u>	<u>(31,956)</u>	<u>-</u>	<u>-</u>	<u>13,303,759</u>
Business-type activities capital assets, net	<u>\$ 14,137,029</u>	<u>\$ (29,036)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,107,993</u>

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

Depreciation of governmental activities by function:

General government	\$ 114,842
Public safety	124,724
Public works	1,018,248
Community and economic development	17,202
Recreation and culture	86,693
	<u>86,693</u>
	<u>\$ 1,361,709</u>

Depreciation of business-type activities by function:

Water supply system	\$ 276,596
Sewage disposal system	46,427
Wastewater treatment	208,269
	<u>208,269</u>
	<u>\$ 531,292</u>

CITY OF OWOSSO

Notes to Financial Statements

9. LONG-TERM DEBT

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

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
2009 General Obligation Limited					
Tax bonds, \$950,000, due in annual installments of \$25,000 to \$75,000 through May 1, 2029, interest at 1.95 to 5.25%, payable semi-annually	\$ 900,000	\$ -	\$ (30,000)	\$ 870,000	\$ 30,000
2010 General Obligation Limited					
Tax bonds, \$960,000, due in annual installments of \$15,000 to \$65,000 through November 1, 2030, interest at 2.35 to 2.43%, payable semi-annually	960,000	-	(15,000)	945,000	20,000
2000 HVAC Installment Purchase,					
\$600,000, due in annual installments of \$25,000 to \$115,000 through November 1, 2014, interest at 2.77 to 4.55%, payable semi-annually	265,000	-	(45,000)	220,000	50,000

CITY OF OWOSSO

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities (concluded)					
HME Tower Ladder Fire Truck, \$730,305, due in annual installments of \$101,842 to \$117,454 through May 1, 2013, interest at 3.63% payable annually	\$ 230,794	\$ -	\$ (113,340)	\$ 117,454	\$ 117,454
Total	2,355,794	-	(203,340)	2,152,454	217,454
Compensated absences and early retirement incentive	561,618	261,957	(335,351)	488,224	122,056
Landfill remediation liability	148,772	-	-	148,772	-
Total governmental activities	\$ 3,066,184	\$ 261,957	\$ (538,691)	\$ 2,789,450	\$ 339,510
Business-type Activities					
Revenue Bond Series 2002 Water Supply System, \$4,800,000, due in annual installments of \$180,000 to \$535,000 through November 1, 2022, interest at 2.50 to 5.00%, payable semi-annually	\$ 4,095,000	\$ -	\$ (180,000)	\$ 3,915,000	\$ 205,000
State Revolving Fund 2009 Sewer System, \$801,786, due in annual installments of \$30,000 to \$51,786 through April 1, 2028, interest at 2.50%, payable semi-annually	706,786	-	(30,000)	676,786	30,000
Total business-type activities bonds	4,801,786	-	(210,000)	4,591,786	235,000
Compensated absences and early retirement incentive	162,534	57,871	(82,509)	137,896	34,474
Total business-type activities	\$ 4,964,320	\$ 57,871	\$ (292,509)	\$ 4,729,682	\$ 269,474

CITY OF OWOSSO

Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Discretely-Presented Component units					
Cass Street and Hotel					
Demolition loan from primary					
Government	\$ 227,194	\$ -	\$ (20,514)	\$ 206,680	\$ 21,660
Total component units	\$ 227,194	\$ -	\$ (20,514)	\$ 206,680	\$ 21,660

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

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 217,454	\$ 94,552	\$ 235,000	\$ 197,476
2014	110,000	65,809	265,000	187,383
2015	170,000	78,724	290,000	176,783
2016	60,000	74,330	320,000	164,011
2017	70,000	72,015	350,000	149,637
2018-2022	505,000	306,695	2,290,000	465,522
2023-2027	610,000	184,255	790,000	39,221
2028-2031	410,000	36,750	51,786	1,294
	\$ 2,152,454	\$ 913,130	\$ 4,591,786	\$ 1,381,327

The aggregate debt service requirement for the component units to pay principal and interest on the outstanding loans with interest included of \$105,608 are as follows:

Year Ended June 30,	Principal	Interest
2013	\$ 21,660	\$ 12,277
2014	7,945	10,977
2015	8,421	10,501
2016	8,899	1,023
2017	9,460	9,461
2018-2022	56,505	38,104
2023-2027	93,790	23,265
	\$ 206,680	\$ 105,608

CITY OF OWOSSO

Notes to Financial Statements

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. The remaining principal and interest to be paid on the bonds total \$5,139,501. During the current year, net revenue of the system was \$2,041,911 compared to the annual debt requirements of \$180,000.

10. RESTRICTED ASSETS

The balances of the restricted asset accounts are as follows:

	Governmental Activities	Business-Type Activities
Unspent bond proceeds and related interest	\$ 255,307	\$ -
Revenue bond restrictions:		
Revenue bond reserve	-	350,000
Improvement and replacement fund	<u> </u>	<u>2,140,040</u>
	<u>\$ 255,307</u>	<u>\$ 2,490,040</u>

11. RISK MANAGEMENT

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

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

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risksharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remain with the City.

CITY OF OWOSSO

Notes to Financial Statements

At June 30, 2012, the City has \$255,307 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 asset for the past two fiscal years were as follows:

	Risk Management	
	2012	2011
Unpaid claims -		
Beginning of year	\$ 103,322	\$ 103,322
Incurring claims (including claims incurred but not reported)	18,352	1,740
Claim payments	<u>(18,352)</u>	<u>(1,740)</u>
Unpaid claims -		
End of year	103,322	103,322
Assets held on deposit with Authority	<u>255,307</u>	<u>271,359</u>
Net assets -		
End of year	<u>\$ 151,985</u>	<u>\$ 168,037</u>

12. CONTINGENT LIABILITIES

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

13. BENEFIT PLANS

Employees' Retirement System

Plan Description. The City of Owosso Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Owosso, Michigan; this plan covers substantially all the employees of the City, except for certain retired union employees of the American Federation of the State, City, and Municipal Employees and the Police Command Bargaining Unit, both of which participate in the Michigan Municipal Employees' Retirement System. During 2008, the plan was closed to all new employees under the AFSCME and general union agreements. The employees under AFSCME and general union agreements participate in a defined contribution plan administered under ICMA for which the City matches employee contributions up to 4.0 percent. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2011, the date of the most recent actuarial valuation, membership consisted of 76 retirees and beneficiaries currently receiving benefits and 3 terminated employees entitled to benefits but not yet receiving them, and 77 current active employees. The plan does not issue a separate financial statement.

CITY OF OWOSSO

Notes to Financial Statements

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

Annual Pension Cost. For the year ended June 30, 2012, the City's annual pension cost was \$550,684, in accordance with actuarial requirements.

Actuarial methods and assumption. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry actual age cost method. Significant actuarial assumptions include (i) an 7.5 percent investment rate of return and (ii) projected salary increases of 4.5 percent to 12.8 percent per year depending on age, attributable to seniority/merit. Both (i) and (ii) include an inflation component of 1.4 percent of the base pension for the first ten years. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll. The remaining amortization period is 10 years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2010	\$ 328,824	100%	\$ -
2011	350,559	100%	-
2012	550,684	100%	-

Funded Status and Funding Progress. As of December 31, 2011, the most recent valuation date, the Plan was 88.4% funded. The actuarial accrued liability for benefits was \$33,523,677 and the actuarial value of assets was \$29,624,891, resulting in an unfunded actuarial accrued liability of \$3,898,786, which means the plan is under-funded. The covered payroll (annual payroll for active employees covered by the Plan) was \$3,746,852 and the ratio for the UAAL to the covered payroll was -104.1%.

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

Michigan Municipal Employees' Retirement System

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

CITY OF OWOSSO

Notes to Financial Statements

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

Annual pension costs. For the year ended June 30, 2012, the City was not required to make an annual contribution to the plan.

Actuarial methods and assumption. The annual required contribution was determined as part of an actuarial valuation at December 31, 2011, using the entry actual age cost method. Significant actuarial assumptions include (i) an 8.0 percent investment rate of return and (ii) projected salary increases of 4.5 percent to 12.9 percent per year depending on age, attributable to seniority/merit. Both (i) and (ii) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll. The remaining amortization period is 28 years.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ -	N/A	\$ -
2011	-	N/A	-
2012	-	N/A	-

Funded Status and Funding Progress. As of December 31, 2011, the date of the most recent actuarial valuation, the Plan was 76.4 percent funded. The actuarial accrued liability for benefits was \$4,258,393 and the actuarial value of assets was \$3,253,171, resulting in an unfunded actuarial accrued liability (AAL) of \$1,005,222. The covered payroll (annual payroll of active employees covered by the Plan) was \$309,897 and the ratio of the under-funded AAL to the covered payroll was 324.4 percent.

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

Defined Contribution Pension Plan

The City provides pension benefits to the city manager position along with new employees under the AFSCME and general union agreements with a defined contribution plan administered under ICMA for which the City provides employer contributions. In accordance with these requirements, the City contributed \$126,976 during the current year and employees contributed \$101,124 during the year.

CITY OF OWOSSO

Notes to Financial Statements

14. OTHER POSTEMPLOYMENT BENEFITS

Primary Government

Plan description. The City offers an option to provide retiree healthcare benefits to eligible employees and their spouses for periods ranging from three to five years. This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements.

Funding policy. The collective bargaining agreements require the employee to surrender a cash payout of between 90 and 120 days of accumulated sick time upon retirement to be eligible. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment.

The City's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarially accrued liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 50,448
Interest on net OPEB obligation	8,833
Adjustment to annual required contribution	<u>(8,116)</u>
Net OPEB cost (expense)	51,165
Contributions made	<u>-</u>
Increase in net OPEB obligation	51,165
Net OPEB obligation, beginning of year	<u>160,593</u>
Net OPEB obligation, end of year	<u>\$ 211,758</u>

CITY OF OWOSSO

Notes to Financial Statements

The City's annual OPEB cost, percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010, 2011 and 2012 is as follows:

Three-Year Trend Information			
Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 55,268	0%	\$ 110,290
2011	50,303	0%	160,593
2012	51,165	0%	211,758

Funded Status and Funding Progress. As of June 30, 2012, the date of the most recent actuarial valuation, the Plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$417,608 and the actuarial value of assets was \$0, resulting in an actuarial accrued liability (AAL) of \$417,608. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,672,267 and the ratio of the overfunded AAL to the covered payroll was 11.4 percent.

Membership of each plan consisted of the following at June 30, 2012:

Retiree and beneficiaries receiving benefits	1
Active plan members	-
	<hr/>
Total	<u>1</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF OWOSSO

Notes to Financial Statements

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest valuation follows:

Valuation date	6/30/12
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	5.50%

15. CONSTRUCTION CODE FEES

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

Shortfall at July 1, 2011	\$ (358,653)
Current year building permit revenue	72,035
Related expenses - Direct costs	<u>(107,073)</u>
Cumulative shortfall at June 30, 2012	<u>\$ (393,691)</u>

16. POLLUTION REMEDIATION

The Michigan Department of Environmental Quality (MDEQ), in written communication, alleges the City is one of several potential responsible parties for response costs related to the former Shiawassee Sanitary Landfill site. The State's claimed costs are estimated to be in excess of \$900,000. The MDEQ letter also invites the recipient parties to voluntarily perform additional response activities. The site was privately owned and operated in a neighboring township and ceased business decades ago. The allegation relates to the City, as a customer, and its contribution to the pollution. A working group, consisting of some potential responsible parties that received demand letters from the MDEQ, without admitting fault or liability, has obtained cost proposals for remedial activities. The City has calculated and recorded the potential remediation liability of \$148,772 using an expected cash flows technique applied to probabilities, ranges, and assumptions from the cost proposals and claimed costs of the State as of June 30, 2012. Prevailing law in this matter is not expected to change significantly if litigation commences.

CITY OF OWOSSO

Notes to Financial Statements

17. FUND BALANCE CLASSIFICATIONS

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	\$ 97,588	\$ -	\$ -	\$ 97,588
Prepays	23,197	-	-	23,197
Total nonspendable	<u>120,785</u>	<u>-</u>	<u>-</u>	<u>120,785</u>
Restricted	<u>-</u>	<u>63,325</u>	<u>1,463,246</u>	<u>1,526,571</u>
Committed for subsequent years expenditures	<u>1,621,077</u>	<u>-</u>	<u>-</u>	<u>1,621,077</u>
Assigned for:				
Capital projects	-	-	1,327,026	1,327,026
Pollution remediation	148,772	-	-	148,772
Postemployment benefits	211,758	-	-	211,758
Special assessment	100,000	-	-	100,000
Economic development	60,000	-	-	60,000
Owosso drain	63,310	-	-	63,310
Cass street	-	67,977	-	67,977
Total assigned	<u>583,840</u>	<u>67,977</u>	<u>1,327,026</u>	<u>1,978,843</u>
Unassigned	<u>1,283,667</u>	<u>-</u>	<u>-</u>	<u>1,283,667</u>
Total fund balances - governmental funds	<u>\$ 3,609,369</u>	<u>\$ 131,302</u>	<u>\$ 2,790,272</u>	<u>\$ 6,530,943</u>

CITY OF OWOSSO

Notes to Financial Statements

18. NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

	Governmental Activities	Business-type Activities
Capital assets:		
Being depreciated, net	\$ 32,187,642	\$ 13,303,759
Not being depreciated	4,462,099	804,234
	<u>36,649,741</u>	<u>14,107,993</u>
Related debt:		
Bonds payable	1,815,000	4,591,786
Installment purchases	337,454	-
	<u>\$ 34,497,287</u>	<u>\$ 9,516,207</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF OWOSSO

Required Supplementary Information

Employees' Retirement System
For the Year Ended June 30, 2012

Schedule of Funding Progress
Single-employer Pension Trust Fund

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

Schedule of Employer Contributions
Single-employer Pension Trust Fund

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2006	\$ 95,731	100.00%
2007	130,844	100.00%
2008	128,117	100.00%
2009	328,824	100.00%
2010	350,599	100.00%
2011	550,684	100.00%

CITY OF OWOSSO

Required Supplementary Information

Municipal Employees Retirement System of Michigan
For the Year Ended June 30, 2012

Schedule of Funding Progress

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

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
2006	\$ -	0.00%
2007	-	0.00%
2008	-	0.00%
2009	-	0.00%
2010	-	0.00%
2011	-	0.00%

CITY OF OWOSSO

Required Supplementary Information
 Postretirement Healthcare
 For the Year Ended June 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2009	\$ -	\$ 519,529	\$ 519,529	0.0%	\$ 4,042,417	12.9%
2010	-	457,928	457,928	0.0%	3,952,336	11.6%
2011	-	417,608	417,608	0.0%	3,672,267	11.4%

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contributions	Percentage Contributed
2010	\$ 55,022	0%
2011	49,652	0%
2012	50,448	0%

OTHER SUPPLEMENTAL INFORMATION

CITY OF OWOSSO

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Special Revenue Funds				
	Local Streets	Revolving Loan	Housing and Redevelopment	Historical	Total
Assets					
Cash and cash equivalents	\$ -	\$ 122,325	\$ -	\$ 64,955	\$ 187,280
Receivables, net:					
Accounts	42,680	437,994	945	-	481,619
Special assessments	-	-	-	-	-
Accrued interest	-	860	-	185	1,045
Due from other funds	22,870	337,118	149	797	360,934
Due from other governments	-	17,693	-	-	17,693
Land held for sale	-	-	-	-	-
Total assets	<u>\$ 65,550</u>	<u>\$ 915,990</u>	<u>\$ 1,094</u>	<u>\$ 65,937</u>	<u>\$ 1,048,571</u>
Liabilities					
Accounts payable	20,602	-	42	318	20,962
Accrued wages payable	739	-	1,004	168	1,911
Accrued liabilities	-	-	-	820	820
Due to other funds	43,976	-	-	-	43,976
Due to other governments	-	7,100	-	-	7,100
Deferred revenues	-	-	945	-	945
Total liabilities	<u>65,317</u>	<u>7,100</u>	<u>1,991</u>	<u>1,306</u>	<u>75,714</u>
Fund balances (deficit)					
Restricted	233	908,890	(897)	64,631	972,857
Assigned	-	-	-	-	-
Total fund balances	<u>233</u>	<u>908,890</u>	<u>(897)</u>	<u>64,631</u>	<u>972,857</u>
Total liabilities and fund balances	<u>\$ 65,550</u>	<u>\$ 915,990</u>	<u>\$ 1,094</u>	<u>\$ 65,937</u>	<u>\$ 1,048,571</u>



Debt Service Funds

2010 General Obligation Bonds	2009 Limited Tax General Obligation Bonds	2011 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2009 Special Assessment Limited Tax Bonds	2008 Special Assessment Limited Tax Bonds	2007 Special Assessment Limited Tax Bonds
\$ -	\$ -	\$ 668	\$ 1,810	\$ 505	\$ 73	\$ 35
-	-	-	-	-	-	-
-	-	159,518	29,676	25,483	22,785	36,952
-	-	-	-	-	-	-
4	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 160,186</u>	<u>\$ 31,486</u>	<u>\$ 25,988</u>	<u>\$ 22,858</u>	<u>\$ 36,987</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	668	1,810	-	73	35
-	-	-	-	-	-	-
-	-	159,518	29,676	25,483	22,785	36,952
-	-	160,186	31,486	25,483	22,858	36,987
-	-	-	-	-	-	-
4	-	-	-	505	-	-
-	-	-	-	-	-	-
4	-	-	-	505	-	-
<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 160,186</u>	<u>\$ 31,486</u>	<u>\$ 25,988</u>	<u>\$ 22,858</u>	<u>\$ 36,987</u>

CITY OF OWOSSO

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2012

	Debt Service Funds				
	2006 Special Assessment Limited Tax Bonds	2005 Special Assessment Limited Tax Bonds	2004 Special Assessment Limited Tax Bonds	2003 Special Assessment Limited Tax Bonds	1998 Special Assessment Limited Tax Bonds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net:					
Accounts	-	-	-	-	-
Special assessments	32,948	8,165	8,757	696	-
Accrued interest	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Land held for sale	-	-	-	-	-
Total assets	<u>\$ 32,948</u>	<u>\$ 8,165</u>	<u>\$ 8,757</u>	<u>\$ 696</u>	<u>\$ -</u>
Liabilities					
Accounts payable	-	-	-	-	-
Accrued wages payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenues	32,948	8,165	8,757	696	-
Total liabilities	<u>32,948</u>	<u>8,165</u>	<u>8,757</u>	<u>696</u>	<u>-</u>
Fund balances (deficit)					
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 32,948</u>	<u>\$ 8,165</u>	<u>\$ 8,757</u>	<u>\$ 696</u>	<u>\$ -</u>



1996 Special Assessment Limited Tax Bonds	1994 Special Assessment Limited Tax Bonds	1992 Building Authority Bonds	1990 Building Authority Bonds	Total
\$ -	\$ -	\$ -	\$ -	\$ 3,091
-	-	-	-	-
-	1,500	-	-	326,480
-	-	376,951	112,929	489,884
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 376,951</u>	<u>\$ 112,929</u>	<u>\$ 819,455</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	2,586
-	-	-	-	-
-	1,500	-	-	326,480
<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>329,066</u>
-	-	376,951	112,929	490,389
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>376,951</u>	<u>112,929</u>	<u>490,389</u>
<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 376,951</u>	<u>\$ 112,929</u>	<u>\$ 819,455</u>



	Capital Projects Funds				
	Capital Projects	2011 Street Program	Building Authority	DDA Construction Fund	Subdivision
Assets					
Cash and cash equivalents	\$ 844,628	\$ 306,993	\$ -	\$ 85,899	\$ -
Receivables, net:					
Accounts	-	-	14,165	-	-
Special assessments	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other funds	-	-	68,429	-	-
Due from other governments	-	-	-	-	-
Land held for sale	-	-	-	-	244,000
Total assets	<u>\$ 844,628</u>	<u>\$ 306,993</u>	<u>\$ 82,594</u>	<u>\$ 85,899</u>	<u>\$ 244,000</u>
Liabilities					
Accounts payable	-	-	-	-	-
Accrued wages payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Due to other funds	-	20,785	-	-	202,138
Due to other governments	-	-	-	-	-
Deferred revenues	-	-	14,165	-	-
Total liabilities	<u>-</u>	<u>20,785</u>	<u>14,165</u>	<u>-</u>	<u>202,138</u>
Fund balances (deficit)					
Restricted	-	-	-	-	-
Assigned	844,628	286,208	68,429	85,899	41,862
Total fund balances	<u>844,628</u>	<u>286,208</u>	<u>68,429</u>	<u>85,899</u>	<u>41,862</u>
Total liabilities and fund balances	<u>\$ 844,628</u>	<u>\$ 306,993</u>	<u>\$ 82,594</u>	<u>\$ 85,899</u>	<u>\$ 244,000</u>

[Redacted]

[Redacted]

Total	Total Nonmajor Governmental Funds
\$ 1,237,520	\$ 1,427,891
14,165	495,784
-	326,480
-	1,045
68,429	919,247
-	17,693
244,000	244,000
<u>\$ 1,564,114</u>	<u>\$ 3,432,140</u>

-	20,962
-	1,911
-	820
222,923	269,485
-	7,100
14,165	341,590
<u>237,088</u>	<u>641,868</u>

-	1,463,246
<u>1,327,026</u>	<u>1,327,026</u>

<u>1,327,026</u>	<u>2,790,272</u>
------------------	------------------

<u>\$ 1,564,114</u>	<u>\$ 3,432,140</u>
---------------------	---------------------

CITY OF OWOSSO

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2012**

	Special Revenue Funds				
	Local Streets	Revolving Loan	Housing and Redevelopment	Historical	Total
Revenue					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-	-
State revenue	270,615	-	137,184	-	407,799
Local sources	-	6,760	-	-	6,760
Charges for services	-	-	22,196	16,463	38,659
Sales	-	-	-	2,394	2,394
Interest income	-	921	-	640	1,561
Special assessment	67,718	-	-	-	67,718
Other	-	-	-	9,487	9,487
Total revenue	338,333	7,681	159,380	28,984	534,378
Expenditures					
Current:					
General government					
Other	-	-	-	-	-
Preservation and maintenance	-	-	-	13,188	13,188
General and administrative	-	-	185,332	33,701	219,033
Public works					
Preservation and maintenance	700,835	-	-	-	700,835
General and administrative	23,900	-	-	-	23,900
Economic development	-	46	-	-	46
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	724,735	46	185,332	46,889	957,002
Revenue over (under) expenditures	(386,402)	7,635	(25,952)	(17,905)	(422,624)
Other financing sources (uses)					
Transfers in	386,401	-	25,025	11,000	422,426
Transfers out	-	(25,025)	-	-	(25,025)
Total other financing sources (uses)	386,401	(25,025)	25,025	11,000	397,401
Net change in fund balances	(1)	(17,390)	(927)	(6,905)	(25,223)
Fund balances, beginning of year	234	926,280	30	71,536	998,080
Fund balances, end of year	\$ 233	\$ 908,890	\$ (897)	\$ 64,631	\$ 972,857



Debt service Funds

2010 General Obligation Bonds	2009 Limited Tax General Obligation Bonds	2011 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2009 Special Assessment Limited Tax Bonds
\$ 14,245	\$ -	\$ 668	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	72,225	-	-	-
-	-	-	-	-
-	-	-	-	17
-	-	-	-	-
-	-	-	-	-
14,245	72,225	668	-	17
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
15,000	30,000	-	-	-
38,248	42,225	668	-	-
53,248	72,225	668	-	-
(39,003)	-	-	-	17
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(39,003)	-	-	-	17
39,007	-	-	-	488
\$ 4	\$ -	\$ -	\$ -	\$ 505

CITY OF OWOSSO

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2012**

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



Debt Service Funds

2004 Special Assessment Limited Tax Bonds	2003 Special Assessment Limited Tax Bonds	1992 Building Authority Bonds	1990 Building Authority Bonds	Total
\$ -	\$ -	\$ -	\$ -	\$ 14,913
-	-	-	-	-
-	-	-	-	-
-	-	-	-	72,225
-	-	-	-	-
-	-	-	-	-
-	-	-	-	17
-	-	-	-	-
-	-	-	-	-
-	-	-	-	87,155
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	45,000
-	-	-	-	81,141
-	-	-	-	126,141
-	-	-	-	(38,986)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(38,986)
-	-	376,951	112,929	529,375
\$ -	\$ -	\$ 376,951	\$ 112,929	\$ 490,389

CITY OF OWOSSO

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2012**

	Capital Projects Fund				
	Capital Projects	2011 Street Program	Building Authority	DDA Construction Fund	Subdivision
Revenue					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	141,523	-
State revenue	-	-	-	-	-
Local sources	-	-	-	-	-
Charges for services	-	-	-	-	-
Sales	-	-	-	-	-
Interest income	-	1,191	1,652	179	-
Special assessment	-	-	-	-	-
Other	-	-	13,363	-	-
Total revenue	-	1,191	15,015	141,702	-
Expenditures					
Current:					
General government					
Other	-	-	-	-	3,113
Preservation and maintenance	-	-	-	-	-
General and administrative	-	-	-	-	-
Public works					
Preservation and maintenance	-	45,754	-	-	-
General and administrative	-	-	-	-	-
Economic development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	45,754	-	-	3,113
Revenue over (under) expenditures	-	(44,563)	15,015	141,702	(3,113)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(322,718)	-	-	-
Total other financing sources (uses)	-	(322,718)	-	-	-
Net change in fund balances	-	(367,281)	15,015	141,702	(3,113)
Fund balances, beginning of year	844,628	653,489	53,414	(55,803)	44,975
Fund balances, end of year	\$ 844,628	\$ 286,208	\$ 68,429	\$ 85,899	\$ 41,862



Total	Total Nonmajor Governmental Funds
-------	---

\$ -	\$ 14,913
141,523	141,523
-	407,799
-	78,985
-	38,659
-	2,394
3,022	4,600
-	67,718
13,363	22,850
<hr/>	<hr/>
157,908	779,441

3,113	3,113
-	13,188
-	219,033
45,754	746,589
-	23,900
-	46
-	45,000
-	81,141
<hr/>	<hr/>

48,867	1,132,010
<hr/>	<hr/>
109,041	(352,569)

-	422,426
(322,718)	(347,743)
<hr/>	<hr/>

(322,718)	74,683
<hr/>	<hr/>

(213,677)	(277,886)
-----------	-----------

1,540,703	3,068,158
<hr/>	<hr/>

\$ 1,327,026	\$ 2,790,272
<hr/>	<hr/>