

CITY OF OWOSSO

Shiawassee County, Michigan

FINANCIAL STATEMENTS

June 30, 2025

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Owosso, Michigan

Report on the Audit of the Financial Statements

Opinions

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 as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Owosso and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As described in Note 17 to the financial statements, the City adopted provisions of Governmental Accounting Standards Board Statement No. 101, Compensated Absences, which updates the recognition and measurement guidance for compensated absences. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Owosso's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Members of the City Council
City of Owosso, Michigan

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Owosso's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Owosso's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5-9), pension schedules (pages 64-66), and budgetary comparison information (pages 67-69) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Members of the City Council
City of Owosso, Michigan

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2025 on our consideration of the City of Owosso's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Owosso's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Owosso's internal control over financial reporting and compliance.

Berthiaume & Co.

December 8, 2025
Saginaw, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF OWOSSO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

As management of the City of Owosso (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS:

- The City's combined total net position is reported as \$92,040,916 for the fiscal year ended June 30, 2025, compared to \$77,306,638 for the fiscal year ended June 30, 2024 (restated).
- In the City's governmental activities, revenues generated were \$16,453,502 while expenses totaled \$13,456,278.
- In the City's business-type activities, revenues generated were \$20,779,290 while expenses totaled \$9,082,126.
- Total net position increased by \$14,734,278.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements:

The government-wide statements are designed to provide readers with a broad overview of the City's finances, as a whole, in a manner similar to a private sector business. The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. The *statement of activities* presents all of the City's revenues and expenses, and is reported based on when the underlying event giving rise to the revenue or expense occurs, regardless of when cash is received or paid.

The government-wide statements of the City of Owosso are divided into three categories:

Governmental Activities – Most of the City's basic services are included here, such as the general government, public safety, public works, community and economic development, and recreation and culture. Property taxes, state shared revenue, and charges for services finance most of these activities.

Business-type Activities – The City charges fees to customers to recover all or a significant portion of certain services it provides. These business-type activities include the sewage disposal system, water supply system, wastewater treatment system, and transportation.

Component Units – The City includes the Brownfield Redevelopment Authority and Downtown Development Authority as discretely presented component units.

Fund Financial Statements:

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

CITY OF OWOSSO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

The City has three types of funds:

Governmental Funds – Many of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out. The funds also show the balances left at year-end that are available for spending.

The governmental funds focus on a short-term view, rather than the long-term focus of the government-wide statements, so additional information is provided after each of the governmental fund statements that explain the relationship of differences between the fund and government-wide statements.

The City maintains 11 individual governmental funds. Separate information is presented for the General Fund and Major Street Fund which are considered to be "major" funds. Data from the other nine (9) governmental funds, considered to be "nonmajor" funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for each of its governmental funds. Budgetary comparison statements have been provided for major governmental funds to demonstrate compliance with those budgets.

Proprietary Funds – Proprietary funds are used to report services where the City charges a fee to the customer to recover most or all of the cost of the service rendered. Proprietary funds provide both long- and short-term financial information. The two types of proprietary funds are enterprise and internal service funds.

- Enterprise funds and business-type funds are the same, but the fund statements provide more detail and additional information such as cash flows. The City's enterprise funds are the Transportation Fund, Sewage Disposal System Fund, Water Supply System Fund, and Wastewater Treatment System Fund.
- Internal service funds are used to report activities that provide supplies and services to the City's other programs. The City's internal service fund is the Equipment Fund.

Fiduciary Funds – Fiduciary funds are used to account for the resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of the funds are not available to support the City's own programs.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the required supplementary information.

THE CITY OF OWOSSO AS A WHOLE:

The City's total combined net position for the fiscal year ended June 30, 2025 is \$92,040,916 consisting of \$48,402,482 in governmental activities and \$43,638,434 in business-type activities. Combined unrestricted net position, that part of net position that can be used to finance day-to-day operations, is \$18,331,423. Governmental activities unrestricted net position is \$9,511,237. Business-type activities unrestricted net position is \$8,820,186.

CITY OF OWOSSO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

The statement of net position provides the perspective of the City as a whole. The following table provides a summary of the City's net position, in a condensed format, as of June 30, 2025 and June 30, 2024 (restated).

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
		<i>Restated</i>				<i>Restated</i>
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
Assets:						
Current and other assets	\$ 22,692,428	\$ 22,652,191	\$ 19,013,413	\$ 15,268,747	\$ 41,705,841	\$ 37,920,938
Capital assets, net	41,857,463	40,550,210	59,781,112	41,803,415	101,638,575	82,353,625
Total assets	64,549,891	63,202,401	78,794,525	57,072,162	143,344,416	120,274,563
Deferred outflows of resources	1,642,343	1,639,231	451,829	449,350	2,094,172	2,088,581
Liabilities:						
Current liabilities	3,400,974	4,502,205	5,570,691	3,719,397	8,971,665	8,221,602
Long-term liabilities	13,936,373	14,651,306	29,899,030	22,006,431	43,835,403	36,657,737
Total liabilities	17,337,347	19,153,511	35,469,721	25,725,828	52,807,068	44,879,339
Deferred inflows of resources	452,405	134,059	138,199	43,108	590,604	177,167
Net position:						
Net investment in capital assets	32,678,830	31,550,997	31,261,183	21,415,638	63,940,013	52,966,635
Restricted	6,212,415	6,542,110	3,557,065	3,007,071	9,769,480	9,549,181
Unrestricted	9,511,237	7,460,955	8,820,186	7,329,867	18,331,423	14,790,822
Total net position	\$ 48,402,482	\$ 45,554,062	\$ 43,638,434	\$ 31,752,576	\$ 92,040,916	\$ 77,306,638

Overall Analysis of Financial Position and Change in Net Position:

The City's combined total net position increased by \$14,734,278 during the current fiscal year. Governmental activities increased by \$2,848,420 while business-type activities increased by \$11,885,858. The City continues to report a solid net position in its governmental and business-type activities, with approximately \$28 million reported in cash and investments.

Governmental Activities:

The City's total governmental revenue is reported at \$16,435,502, an increase of \$135,949 from the prior fiscal year. Total expenses decreased by \$618,147 from the prior fiscal year.

Business-type Activities:

The City's total business-type revenue is reported at \$15,661,896, a decrease of \$215,787 from the prior fiscal year attributable to increase in capital grants. Total business-type expenses decreased by \$1,648,207 from the prior fiscal year which is related to the use of the operating grant in the prior year.

CITY OF OWOSSO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

The following table shows the comparison of the change in net position in a condensed format for the fiscal years ended June 30, 2025 and June 30, 2024 (restated).

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>Restated</i>		<i>Restated</i>		<i>Restated</i>	
	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>	<i>2025</i>	<i>2024</i>
Revenues:						
Program revenues						
Charges for services	\$ 3,346,637	\$ 3,222,797	\$ 11,676,812	\$ 10,667,864	\$ 15,023,449	\$ 13,890,661
Operating grants	2,689,096	3,498,289	-	1,746,701	2,689,096	5,244,990
Capital grants	1,131,227	931,956	8,624,222	3,119,239	9,755,449	4,051,195
General revenues						
Taxes	5,403,400	5,129,584	103,990	(27)	5,507,390	5,129,557
Fees	131,063	134,293	-	-	131,063	134,293
Unrestricted grants	2,793,148	2,340,855	-	-	2,793,148	2,340,855
Investment earnings	857,999	830,829	374,266	343,906	1,232,265	1,174,735
Other	100,932	228,950	-	-	100,932	228,950
Total revenues	<u>16,453,502</u>	<u>16,317,553</u>	<u>20,779,290</u>	<u>15,877,683</u>	<u>37,232,792</u>	<u>32,195,236</u>
Expenses:						
General government	2,157,984	2,143,516	-	-	2,157,984	2,143,516
Public safety	5,477,760	5,616,037	-	-	5,477,760	5,616,037
Public works	4,191,878	4,068,389	-	-	4,191,878	4,068,389
Health and welfare	493,337	1,312,155	-	-	493,337	1,312,155
Community and economic development	145,374	130,880	-	-	145,374	130,880
Recreation and culture	707,359	536,454	-	-	707,359	536,454
Interest	282,586	232,515	-	-	282,586	232,515
Sewage disposal system	-	-	2,868,410	2,510,687	2,868,410	2,510,687
Water supply system	-	-	3,640,553	5,694,378	3,640,553	5,694,378
Wastewater treatment	-	-	2,467,508	2,441,195	2,467,508	2,441,195
Transportation	-	-	105,655	84,073	105,655	84,073
Total expenses	<u>13,456,278</u>	<u>14,039,946</u>	<u>9,082,126</u>	<u>10,730,333</u>	<u>22,538,404</u>	<u>24,770,279</u>
Excess of revenues over expenses before special items	<u>2,997,224</u>	<u>2,277,607</u>	<u>11,697,164</u>	<u>5,147,350</u>	<u>14,694,388</u>	<u>7,424,957</u>
Special items:						
Sale of capital assets	33,802	87,840	6,088	1,874	39,890	89,714
Transfers	(182,606)	(17,010)	182,606	17,010	-	-
Total special items	<u>(148,804)</u>	<u>70,830</u>	<u>188,694</u>	<u>18,884</u>	<u>39,890</u>	<u>89,714</u>
Changes in net position	<u>2,848,420</u>	<u>2,348,437</u>	<u>11,885,858</u>	<u>5,166,234</u>	<u>14,734,278</u>	<u>7,514,671</u>
Net position, beginning of year, restated	<u>45,554,062</u>	<u>43,205,625</u>	<u>31,752,576</u>	<u>26,586,342</u>	<u>77,306,638</u>	<u>69,791,967</u>
Net position, end of year	<u>\$ 48,402,482</u>	<u>\$ 45,554,062</u>	<u>\$ 43,638,434</u>	<u>\$ 31,752,576</u>	<u>\$ 92,040,916</u>	<u>\$ 77,306,638</u>

CITY OF OWOSSO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

THE CITY OF OWOSSO'S FUNDS:

Presentation of the City of Owosso's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities, such as specific property tax millages and restricted receipts from Federal and State sources.

The General Fund is the City's largest governmental fund and one of two governmental funds that is considered a major fund. It pays for most of the City's government services. Its major components of revenue are property taxes and state shared revenue. For the year ended June 30, 2025, General Fund financing sources exceeded its financing uses by \$733,948, increasing its ending fund balance to \$9,356,652. For the year ended June 30, 2025, Major Street Fund decreased its ending fund balance by \$261,831.

Overall Analysis of Financial Position and Change in General Fund Fund Balance:

The General Fund fund balance of \$9,356,652 as of June 30, 2025 is considered, by management, to be healthy in comparison to the annual General Fund expenditures of approximately \$10.9 million. The City has utilized effective budget controls in the General Fund to maintain its fund balance.

General Fund Budgetary Highlights:

The General Fund adopted budget projected a decrease in fund balance of \$1,050,902. During the year, the City made budget amendments with a projected decrease in fund balance of \$753,881. The actual results for the year yielded an increase in fund balance of \$733,948.

Capital Assets and Debt Administration:

At June 30, 2025, the City of Owosso had \$101,638,575 invested in capital assets including land, buildings and improvements, machinery and other equipment, land improvements, vehicles, utility distribution systems, and infrastructure, net of accumulated depreciation. At June 30, 2025, this total was \$82,353,625. Additional information about the City's capital assets is presented in Note 1 and Note 5 of the Notes to the Financial Statements.

At June 30, 2025, the City of Owosso's total long-term indebtedness (not including compensated absences, net pension liability and the 2021 bond premiums that are being amortized to interest expense over the life of the bonds) was \$36,696,929, of which \$9,161,576 was backed by the full faith of the government and \$27,535,353 was backed by specific revenue sources. Additional information about the City's indebtedness is presented in Note 6 of the Notes to the Financial Statements.

Economic Factors:

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the City's residents with the same level of service to which they have been accustomed.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall, 301 W. Main Street, Owosso, MI 48867.

BASIC FINANCIAL STATEMENTS

CITY OF OWOSSO

STATEMENT OF NET POSITION

June 30, 2025

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 11,294,125	\$ 3,614,781	\$ 14,908,906	\$ 95,492
Investments	7,364,940	5,806,887	13,171,827	314,708
Receivables	3,683,391	9,313,752	12,997,143	23,335
Internal balances	-	-	-	-
Inventory	61,455	277,993	339,448	-
Prepaid expenses	42,281	-	42,281	-
Capital assets not being depreciated	6,541,128	30,050,698	36,591,826	-
Capital assets being depreciated, net	35,316,335	29,730,414	65,046,749	13,917
Other assets	246,236	-	246,236	-
Total assets	64,549,891	78,794,525	143,344,416	447,452
Deferred outflows of resources:				
Related to pension	1,577,000	451,829	2,028,829	-
Deferred charges on refunding	65,343	-	65,343	-
Total deferred outflows of resources	1,642,343	451,829	2,094,172	-
Liabilities:				
Accounts payable and accrued expenses	985,548	5,570,691	6,556,239	7,322
Unearned revenue	2,415,426	-	2,415,426	-
Long-term liabilities:				
Due within one year				
Long-term debt	607,000	750,181	1,357,181	-
Advance from primary government	-	-	-	163,654
Due in more than one year				
Long-term debt	8,636,976	27,769,748	36,406,724	-
Net pension liability	4,117,635	1,236,414	5,354,049	-
Advance from primary government	-	-	-	1,070,409
Compensated absences payable	574,762	142,687	717,449	-
Total liabilities	17,337,347	35,469,721	52,807,068	1,241,385
Deferred inflows of resources:				
Related to pension	452,405	138,199	590,604	-

continued

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

CITY OF OWOSSO

STATEMENT OF NET POSITION, CONTINUED

June 30, 2025

	<i>Primary Government</i>			<i>Component Units</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
Net position:				
Net investment in capital assets	32,678,830	31,261,183	63,940,013	13,917
Restricted for:				
Construction code	304,371	-	304,371	-
Debt service	35,276	867,045	902,321	-
Historical	171,715	-	171,715	-
Improvement/Replacement	3,674	2,690,020	2,693,694	-
Opioid	63,943	-	63,943	-
Parks	10,827	-	10,827	-
Revolving loan	1,142,278	-	1,142,278	-
Streets	4,480,331	-	4,480,331	-
Unrestricted (deficit)	9,511,237	8,820,186	18,331,423	(807,850)
Total net position (deficit)	<u>\$ 48,402,482</u>	<u>\$ 43,638,434</u>	<u>\$ 92,040,916</u>	<u>\$ (793,933)</u>

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

CITY OF OWOSSO

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

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	\$ 2,157,984	\$ 684,174	\$ 12,999	\$ 14,375	\$ (1,446,436)
Public safety	5,477,760	2,007,898	89,281	-	(3,380,581)
Public works	4,191,878	469,489	2,184,340	1,116,852	(421,197)
Health and welfare	493,337	169,960	364,552	-	41,175
Community and economic development	145,374	10,103	-	-	(135,271)
Recreation and culture	707,359	5,013	37,924	-	(664,422)
Interest on long-term debt	282,586	-	-	-	(282,586)
Total governmental activities	13,456,278	3,346,637	2,689,096	1,131,227	(6,289,318)
Business-type activities:					
Sewage disposal system	2,868,410	3,193,723	-	168,444	493,757
Water supply system	3,640,553	4,944,827	-	1,258,284	2,562,558
Wastewater treatment system	2,467,508	3,538,262	-	7,197,494	8,268,248
Transportation	105,655	-	-	-	(105,655)
Total business-type activities	9,082,126	11,676,812	-	8,624,222	11,218,908
Total primary government	\$ 22,538,404	\$ 15,023,449	\$ 2,689,096	\$ 9,755,449	\$ 4,929,590
COMPONENT UNITS:					
Brownfield redevelopment authority	\$ 412,382	\$ -	\$ 185,878	\$ -	\$ (226,504)
Downtown development authority	278,582	28,185	55,336	-	(195,061)
Total component units	\$ 690,964	\$ 28,185	\$ 241,214	\$ -	\$ (421,565)

continued

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

CITY OF OWOSSO

STATEMENT OF ACTIVITIES, CONTINUED

Year Ended June 30, 2025

	<i>Primary Government</i>			
	<i>Governmental</i>	<i>Business-</i>		<i>Component</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>Units</i>
		<i>Activities</i>		
<i>Changes in net position:</i>				
Net (Expense) Revenue	\$ (6,289,318)	\$ 11,218,908	\$ 4,929,590	\$ (421,565)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	4,131,162	-	4,131,162	-
Property taxes, levied for brush/leaves	315,246	-	315,246	-
Property taxes, levied for debt service	716,226	-	716,226	-
Property taxes, levied for transit	-	103,990	103,990	-
Payment in lieu of property taxes	5,618	-	5,618	-
Property taxes levied and captured by component units	-	-	-	760,066
Marijuana taxes	235,148	-	235,148	-
Franchise fees	71,063	-	71,063	-
Marijuana license fees	60,000	-	60,000	-
Grants and contributions not restricted to specific programs	2,793,148	-	2,793,148	33,711
Unrestricted investment earnings	857,999	374,266	1,232,265	11,686
Other	100,932	-	100,932	-
Special items:				
Sale of capital assets	33,802	6,088	39,890	-
Transfers	(182,606)	182,606	-	-
Total general revenues, special items and transfers	9,137,738	666,950	9,804,688	805,463
Changes in net position	2,848,420	11,885,858	14,734,278	383,898
Net position (deficit), beginning of year, previously stated	45,671,666	31,752,576	77,424,242	(1,177,831)
Change in accounting principle	(117,604)	-	(117,604)	-
Net position (deficit), beginning of year, restated	45,554,062	31,752,576	77,306,638	(1,177,831)
Net position (deficit), end of year	\$ 48,402,482	\$ 43,638,434	\$ 92,040,916	\$ (793,933)

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

CITY OF OWOSSO

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2025

	<i>General Fund</i>	<i>Major Street Fund</i>
Assets:		
Cash and cash equivalents	\$ 7,327,352	\$ 359,662
Investments	945,691	3,925,385
Accounts receivable	434,625	3,486
Special assessments receivable	246,169	467,844
Loans receivable	-	-
Due from other governments	364,324	260,818
Inventory	61,455	-
Prepaid expenditures	41,321	-
Advance to component unit	1,084,125	-
Total assets	<u>\$ 10,505,062</u>	<u>\$ 5,017,195</u>
Liabilities:		
Accounts payable	\$ 249,722	\$ 39,336
Accrued expenses	44,685	-
Accrued wages payable	114,548	2,978
Performance deposits payable	84,143	-
Unearned revenue	249,161	2,144,530
Total liabilities	<u>742,259</u>	<u>2,186,844</u>
Deferred inflows of resources:		
Unavailable revenue	<u>406,151</u>	<u>467,844</u>
Fund balances:		
Nonspendable	1,186,901	-
Restricted	-	2,362,507
Assigned	2,750,000	-
Unassigned	5,419,751	-
Total fund balances	<u>9,356,652</u>	<u>2,362,507</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,505,062</u>	<u>\$ 5,017,195</u>

continued

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

CITY OF OWOSSO

GOVERNMENTAL FUNDS BALANCE SHEET, CONTINUED

June 30, 2025

	<i><u>Nonmajor Funds</u></i>	<i><u>Total</u></i>
Assets:		
Cash and cash equivalents	\$ 1,337,411	\$ 9,024,425
Investments	1,493,094	6,364,170
Accounts receivable	9,797	447,908
Special assessments receivable	300,801	1,014,814
Loans receivable	250,235	250,235
Due from other governments	191,785	816,927
Inventory	-	61,455
Prepaid expenditures	960	42,281
Advance to component unit	19,382	1,103,507
	<u>\$ 3,603,465</u>	<u>\$ 19,125,722</u>
Total assets		
Liabilities:		
Accounts payable	\$ 193,115	\$ 482,173
Accrued expenses	-	44,685
Accrued wages payable	6,551	124,077
Performance deposits payable	-	84,143
Unearned revenue	21,735	2,415,426
	<u>221,401</u>	<u>3,150,504</u>
Total liabilities		
Deferred inflows of resources:		
Unavailable revenue	300,801	1,174,796
	<u>300,801</u>	<u>1,174,796</u>
Fund balances:		
Nonspendable	270,577	1,457,478
Restricted	2,810,686	5,173,193
Assigned	-	2,750,000
Unassigned	-	5,419,751
	<u>3,081,263</u>	<u>14,800,422</u>
Total fund balances		
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,603,465</u>	<u>\$ 19,125,722</u>

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

CITY OF OWOSSO

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2025

Fund balances of governmental funds	\$ 14,800,422
Net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Capital assets not being depreciated	6,541,128
Capital assets being depreciated, net	33,304,192
Assets held on deposit with the MMRMA for self insurance are not current financial resources and, therefore, are not reported in the funds.	205,767
Certain receivables are not available to pay for current year expenditures and, therefore, are not reported in the funds.	1,174,796
Certain pension benefits, such as net pension liability and related deferred amounts, are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.	
Net pension liability	(3,960,335)
Deferred outflows related to the net pension liability	1,506,267
Deferred inflows related to the net pension liability	(436,258)
Certain liabilities are not due and payable in the current year and, therefore, are not reported in the funds.	
Accrued interest payable	(75,857)
Long-term debt	(9,243,976)
Compensated absences payable	(569,275)
Deferred charges on refunding related to the issuance of long-term refunding of debt will be amortized over the life of the debt on the statement of net position.	65,343
An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities in the statement of net position.	<u>5,090,268</u>
Net position of governmental activities	<u>\$ 48,402,482</u>

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

CITY OF OWOSSO

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2025

	<i>General Fund</i>	<i>Major Street Fund</i>
Revenues:		
Property taxes	\$ 4,452,026	\$ -
Marijuana taxes	235,148	-
Special assessments	44,301	185,160
Licenses and permits	72,543	-
Federal grants	53,216	510,136
State grants	2,649,507	1,600,823
Contributions from other units	88,381	-
Charges for services	2,465,538	47,876
Fines and forfeits	7,537	-
Interest and rents	399,436	235,202
Other revenue	102,549	3,486
Total revenues	<u>10,570,182</u>	<u>2,582,683</u>
Expenditures:		
Current:		
General government	2,344,860	-
Public safety	5,486,824	-
Public works	876,192	660,648
Health and welfare	-	-
Community and economic development	101,387	-
Recreation and culture	379,629	-
Capital outlay	1,651,232	1,833,866
Debt service		
Principal	86,000	-
Interest and charges	17,191	-
Total expenditures	<u>10,943,315</u>	<u>2,494,514</u>
Excess (deficiency) of revenues over expenditures	<u>(373,133)</u>	<u>88,169</u>
Other financing sources (uses):		
Sale of capital assets	260,253	-
Proceeds from contract financing	750,000	-
Interfund transfers in	305,835	-
Interfund transfers out	<u>(252,193)</u>	<u>(350,000)</u>
Net other financing sources (uses)	<u>1,107,081</u>	<u>(350,000)</u>
Changes in fund balances	733,948	(261,831)
Fund balances, beginning of year	<u>8,622,704</u>	<u>2,624,338</u>
Fund balances, end of year	<u>\$ 9,356,652</u>	<u>\$ 2,362,507</u>

continued

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

CITY OF OWOSSO

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended June 30, 2025

	<i>Nonmajor Funds</i>	<i>Total</i>
Revenues:		
Property taxes	\$ 716,226	\$ 5,168,252
Marijuana taxes	-	235,148
Special assessments	77,195	306,656
Licenses and permits	280,407	352,950
Federal grants	841,072	1,404,424
State grants	786,676	5,037,006
Contributions from other units	-	88,381
Charges for services	4,040	2,517,454
Fines and forfeits	-	7,537
Interest and rents	102,190	736,828
Other revenue	218,960	324,995
Total revenues	<u>3,026,766</u>	<u>16,179,631</u>
Expenditures:		
Current:		
General government	-	2,344,860
Public safety	226,129	5,712,953
Public works	444,978	1,981,818
Health and welfare	508,337	508,337
Community and economic development	26,503	127,890
Recreation and culture	187,291	566,920
Capital outlay	784,859	4,269,957
Debt service		
Principal	500,000	586,000
Interest and charges	273,150	290,341
Total expenditures	<u>2,951,247</u>	<u>16,389,076</u>
Excess (deficiency) of revenues over expenditures	<u>75,519</u>	<u>(209,445)</u>
Other financing sources (uses):		
Sale of capital assets	-	260,253
Proceeds from contract financing	-	750,000
Interfund transfers in	602,193	908,028
Interfund transfers out	(488,441)	(1,090,634)
Net other financing sources (uses)	<u>113,752</u>	<u>870,833</u>
Changes in fund balances	189,271	661,388
Fund balances, beginning of year	<u>2,891,992</u>	<u>14,139,034</u>
Fund balances, end of year	<u>\$ 3,081,263</u>	<u>\$ 14,800,422</u>

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

CITY OF OWOSSO

RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2025

Changes in fund balances of governmental funds	\$ 661,388
Change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Purchases of capitalized assets	4,348,382
Depreciation expense	(2,712,039)
Loss on sale of capital assets	(226,451)
Changes to the MMRMA deposit and related self-insurance liability are not shown in the fund financial statements. The amount represents the change in net position held with an agent for self-insurance.	(19,728)
Proceeds from installment purchase agreements are revenues in the governmental funds, but but increase long-term liabilities in the statement of net position.	(750,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in deferred charges	(5,190)
Change in accrued interest payable	(1,025)
Change in long-term debt	667,770
Change in compensated absences payable	(53,187)
Change in net pension liability and related deferred outflows/inflows of resources	511,212
Revenue in the statement of activities that do no provide current financial resources are not reported as revenue in the funds, but rather are deferred to the following fiscal year.	(16,911)
An internal service fund is used by management to charge the costs of certain activities, such as equipment usage, to individual funds. The change in net position of the internal service fund is included in the governmental activities in the statement of net position.	444,199
Change in net position of governmental activities	<u>\$ 2,848,420</u>

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

CITY OF OWOSSO

PROPRIETARY FUNDS STATEMENT OF NET POSITION

June 30, 2025

	<i>Enterprise Funds</i>		
	<i>Sewage Disposal System Fund</i>	<i>Water Supply System Fund</i>	<i>Wastewater Treatment System Fund</i>
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 1,285,390	\$ 734,687	\$ 1,594,491
Investments	1,130,026	3,350,826	1,326,035
Utility bills receivable	814,628	1,193,316	-
Accounts receivable	299	205,394	-
Loans receivable - current	-	6,241	-
Due from other governments	-	1,378,455	5,500,248
Inventory	-	277,993	-
Total current assets	3,230,343	7,146,912	8,420,774
<i>Noncurrent assets:</i>			
Capital assets not being depreciated	470,584	8,084,841	21,495,273
Capital assets being depreciated, net	3,105,262	16,810,682	9,814,470
Loans receivable - net of current	-	84,614	-
Advance to component unit	130,557	-	-
Total noncurrent assets	3,706,403	24,980,137	31,309,743
Total assets	6,936,746	32,127,049	39,730,517
Deferred outflows of resources:			
Related to pension	24,013	149,619	278,197
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	107,489	554,823	4,540,392
Accrued interest payable	5,638	32,503	63,612
Deposits payable	-	227,715	-
Accrued wages payable	4,181	20,744	13,594
Bonds payable - current	100,000	420,181	230,000
Total current liabilities	217,308	1,255,966	4,847,598
<i>Noncurrent liabilities:</i>			
Compensated absences payable	19,868	73,305	49,514
Bonds payable - net of current	988,450	7,972,316	18,808,982
Net pension liability	112,656	432,594	691,164
Total noncurrent liabilities	1,120,974	8,478,215	19,549,660
Total liabilities	1,338,282	9,734,181	24,397,258

continued

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

CITY OF OWOSSO

PROPRIETARY FUNDS
STATEMENT OF NET POSITION, CONTINUED
 June 30, 2025

	<i>Enterprise Funds</i>		
	<i>Sewage Disposal System Fund</i>	<i>Water Supply System Fund</i>	<i>Wastewater Treatment System Fund</i>
Deferred inflows of resources:			
Related to pension	14,452	49,271	74,476
Net position:			
Net investment in capital assets	2,487,396	16,503,026	12,270,761
Restricted for:			
Debt service	-	-	867,045
Improvement/Replacement	-	970,051	1,719,969
Unrestricted	3,120,629	5,020,139	679,205
Total net position	<u>\$ 5,608,025</u>	<u>\$ 22,493,216</u>	<u>\$ 15,536,980</u>

continued

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

CITY OF OWOSSO

PROPRIETARY FUNDS **STATEMENT OF NET POSITION, CONTINUED**

June 30, 2025

	<i>Enterprise Funds</i>		
	<i>Nonmajor</i>		<i>Internal</i>
	<i>Fund</i>		<i>Service</i>
	<i>Transportation</i>		<i>Fund</i>
	<i>Fund</i>	<i>Total</i>	
Assets:			
<i>Current assets:</i>			
Cash and cash equivalents	\$ 213	\$ 3,614,781	\$ 2,269,700
Investments	-	5,806,887	1,000,770
Utility bills receivable	-	2,007,944	-
Accounts receivable	-	205,693	-
Loans receivable - current	-	6,241	-
Due from other governments	-	6,878,703	50,000
Inventory	-	277,993	-
Total current assets	213	18,798,242	3,320,470
<i>Noncurrent assets:</i>			
Capital assets not being depreciated	-	30,050,698	-
Capital assets being depreciated, net	-	29,730,414	2,012,143
Loans receivable - net of current	-	84,614	-
Advance to component unit	-	130,557	-
Total noncurrent assets	-	59,996,283	2,012,143
Total assets	213	78,794,525	5,332,613
Deferred outflows of resources:			
Related to pension	-	451,829	70,733
Liabilities:			
<i>Current liabilities:</i>			
Accounts payable	-	5,202,704	132,489
Accrued interest payable	-	101,753	-
Deposits payable	-	227,715	-
Accrued wages payable	-	38,519	1,655
Bonds payable - current	-	750,181	-
Total current liabilities	-	6,320,872	134,144
<i>Noncurrent liabilities:</i>			
Compensated absences payable	-	142,687	5,487
Bonds payable - net current	-	27,769,748	-
Net pension liability	-	1,236,414	157,300
Total noncurrent liabilities	-	29,148,849	162,787
Total liabilities	-	35,469,721	296,931

continued

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

CITY OF OWOSSO

PROPRIETARY FUNDS
STATEMENT OF NET POSITION, CONTINUED
June 30, 2025

	<i>Enterprise Funds</i>		
	<i>Nonmajor Fund</i>		<i>Internal Service Fund</i>
	<i>Transportation Fund</i>	<i>Total</i>	
Deferred inflows of resources:			
Related to pension	-	138,199	16,147
Net position:			
Net investment in capital assets	-	31,261,183	2,012,143
Restricted for:			
Debt service	-	867,045	-
Improvement/Replacement	-	2,690,020	-
Unrestricted	213	8,820,186	3,078,125
Total net position	<u>\$ 213</u>	<u>\$ 43,638,434</u>	<u>\$ 5,090,268</u>

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

CITY OF OWOSSO

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2025

	<i>Enterprise Funds</i>		
	<i>Sewage Disposal System Fund</i>	<i>Water Supply System Fund</i>	<i>Wastewater Treatment System Fund</i>
Operating revenues:			
Charges for services	\$ 3,193,723	\$ 4,897,910	\$ 3,538,262
Equipment rental	-	-	-
Total operating revenues	3,193,723	4,897,910	3,538,262
Operating expenses:			
Personnel services	239,855	1,299,278	736,156
Supplies and chemicals	6,979	275,389	267,278
Contracted services	56,641	397,232	31,684
Plant charges	2,228,798	-	-
Administrative charges	150,484	242,120	177,133
Other services and charges	70,852	684,219	630,248
Depreciation	91,061	595,392	432,660
Total operating expenses	2,844,670	3,493,630	2,275,159
Operating income (loss)	349,053	1,404,280	1,263,103
Non-operating revenues (expenses):			
Property taxes	-	-	-
Investment income	89,195	217,150	67,844
Rental income	-	34,563	-
Reimbursements	-	12,354	-
Sale of capital assets	-	3,696	2,392
Interest expense	(23,740)	(146,923)	(192,349)
Net non-operating revenues (expenses)	65,455	120,840	(122,113)
Changes in net position before capital contributions and interfund transfers	414,508	1,525,120	1,140,990
Capital contributions and interfund transfers:			
Local contributions	168,444	1,798	-
Federal grants	-	1,095,486	1,897,494
State grants	-	161,000	5,300,000
Interfund transfers in	-	182,606	-
Total capital contributions and interfund transfers	168,444	1,440,890	7,197,494
Changes in net position	582,952	2,966,010	8,338,484
Net position, beginning of year	5,025,073	19,527,206	7,198,496
Net position, end of year	\$ 5,608,025	\$ 22,493,216	\$ 15,536,980

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

CITY OF OWOSSO

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION, CONTINUED

Year Ended June 30, 2025

	<i>Enterprise Funds</i>		
	<i>Nonmajor Fund</i>		<i>Internal Service Fund</i>
	<i>Transportation Fund</i>	<i>Total</i>	
Operating revenues:			
Charges for services	\$ -	\$ 11,629,895	\$ -
Equipment rental	-	-	968,090
Total operating revenues	-	11,629,895	968,090
Operating expenses:			
Personnel services	-	2,275,289	96,741
Supplies and chemicals	-	549,646	66,718
Contracted services	105,655	591,212	1,611
Plant charges	-	2,228,798	-
Administrative charges	-	569,737	47,186
Other services and charges	-	1,385,319	116,561
Depreciation	-	1,119,113	367,200
Total operating expenses	105,655	8,719,114	696,017
Operating income (loss)	(105,655)	2,910,781	272,073
Non-operating revenues (expenses):			
Property taxes	103,990	103,990	-
Investment income	77	374,266	121,851
Rental income	-	34,563	-
Reimbursements	-	12,354	275
Sale of capital assets	-	6,088	-
Interest expense	-	(363,012)	-
Net non-operating revenues (expenses)	104,067	168,249	122,126
Changes in net position before capital contributions and interfund transfers	(1,588)	3,079,030	394,199
Capital contributions and interfund transfers:			
Local contributions	-	170,242	-
Federal grants	-	2,992,980	50,000
State grants	-	5,461,000	-
Interfund transfers in	-	182,606	-
Total capital contributions and interfund transfers	-	8,806,828	50,000
Changes in net position	(1,588)	11,885,858	444,199
Net position, beginning of year	1,801	31,752,576	4,646,069
Net position, end of year	\$ 213	\$ 43,638,434	\$ 5,090,268

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

CITY OF OWOSSO

PROPRIETARY FUNDS **STATEMENT OF CASH FLOWS** Year Ended June 30, 2025

	<i>Enterprise Funds</i>		
	<i>Sewage Disposal System Fund</i>	<i>Water Supply System Fund</i>	<i>Wastewater Treatment System Fund</i>
Cash flows from operating activities:			
Cash received from customers	\$ 3,215,489	\$ 4,870,881	\$ 3,538,262
Cash received (paid) for interfund services	(36,425)	(237,164)	(9,566)
Cash paid to/on behalf of employees	(248,960)	(1,342,107)	(827,352)
Cash paid to suppliers for goods and services	(2,419,967)	(2,610,673)	1,899,163
Net cash provided (used) by operating activities	510,137	680,937	4,600,507
Cash flows from non-capital financing activities:			
Property taxes	-	-	-
Reimbursements	-	12,354	-
Net cash provided (used) by non-capital financing activities	-	12,354	-
Cash flows from capital and related financing activities:			
Sale of capital assets	-	3,696	2,392
Capital contributions	87,499	670,002	4,747,320
Interfund transfers in	-	182,606	-
Acquisition/Construction of capital assets	(479,136)	(3,800,337)	(14,817,337)
Principal payments on bonds	(100,000)	(405,626)	(225,000)
Proceeds from issuance of bonds	-	1,525,144	7,337,634
Interest paid on bonds	(24,303)	(142,417)	(154,586)
Net cash provided (used) by capital and related financing activities	(515,940)	(1,966,932)	(3,109,577)
Cash flows from investing activities:			
Interest received	89,195	217,150	67,844
Rent received	-	34,563	-
Net cash provided by investing activities	89,195	251,713	67,844
Net change in cash, cash equivalents and investments	83,392	(1,021,928)	1,558,774
Cash, cash equivalents and investments, beginning of year	2,332,024	5,107,441	1,361,752
Cash, cash equivalents and investments, end of year	\$ 2,415,416	\$ 4,085,513	\$ 2,920,526

continued

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

CITY OF OWOSSO

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS, CONTINUED
 Year Ended June 30, 2025

	<i>Enterprise Funds</i>		
	<i>Sewage Disposal System Fund</i>	<i>Water Supply System Fund</i>	<i>Wastewater Treatment System Fund</i>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 1,285,390	\$ 734,687	\$ 1,594,491
Investments	1,130,026	3,350,826	1,326,035
Total cash, cash equivalents and investments	<u>\$ 2,415,416</u>	<u>\$ 4,085,513</u>	<u>\$ 2,920,526</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 349,053	\$ 1,404,280	\$ 1,263,103
Adjustments:			
Depreciation	91,061	595,392	432,660
Change in assets and liabilities:			
Utility bills receivable	22,065	(66)	-
Accounts receivable	(299)	(26,963)	-
Inventory	-	(1,352)	-
Accounts payable	57,362	(1,267,515)	2,995,940
Deposits payable	-	19,990	-
Accrued wages payable	801	1,786	1,224
Compensated absences payable	3,910	10,651	(2,613)
Net pension liability and related deferred outflows/inflows	(13,816)	(55,266)	(89,807)
Net cash provided (used) by operating activities	<u>\$ 510,137</u>	<u>\$ 680,937</u>	<u>\$ 4,600,507</u>

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

CITY OF OWOSSO

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS, CONTINUED
Year Ended June 30, 2025

	<i>Enterprise Funds</i>		
	<i>Nonmajor</i>		<i>Internal</i>
	<i>Fund</i>		<i>Service</i>
	<i>Transportation</i>	<i>Total</i>	<i>Fund</i>
	<i>Fund</i>		
Cash flows from operating activities:			
Cash received from customers	\$ -	\$ 11,624,632	\$ -
Cash received (paid) for interfund services		(283,155)	969,512
Cash paid to/on behalf of employees	-	(2,418,419)	(126,411)
Cash paid to suppliers for goods and services	(105,655)	(3,237,132)	(239,047)
Net cash provided (used) by operating activities	(105,655)	5,685,926	604,054
Cash flows from non-capital financing activities:			
Property taxes	103,990	103,990	-
Reimbursements	-	12,354	275
Net cash provided (used) by non-capital financing activities	103,990	116,344	275
Cash flows from capital and related financing activities:			
Sale of capital assets	-	6,088	-
Capital contributions	-	5,504,821	-
Interfund transfers in	-	182,606	-
Acquisition/Construction of capital assets	-	(19,096,810)	(264,561)
Principal payments on bonds	-	(730,626)	-
Proceeds from issuance of bonds	-	8,862,778	-
Interest paid on bonds	-	(321,306)	-
Net cash provided (used) by capital and related financing activities	-	(5,592,449)	(264,561)
Cash flows from investing activities:			
Interest received	77	374,266	121,851
Rent received	-	34,563	-
Net cash provided by investing activities	77	408,829	121,851
Net change in cash, cash equivalents and investments	(1,588)	618,650	461,619
Cash, cash equivalents and investments, beginning of year	1,801	8,803,018	2,808,851
Cash, cash equivalents and investments, end of year	\$ 213	\$ 9,421,668	\$ 3,270,470

continued

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

CITY OF OWOSSO

PROPRIETARY FUNDS **STATEMENT OF CASH FLOWS, CONTINUED** Year Ended June 30, 2025

	<i>Enterprise Funds</i>		
	<i>Nonmajor</i>		<i>Internal</i>
	<i>Fund</i>		<i>Service</i>
	<i>Transportation</i>	<i>Total</i>	<i>Fund</i>
	<i>Fund</i>		
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 213	\$ 3,614,781	\$ 2,269,700
Investments	-	5,806,887	1,000,770
Total cash, cash equivalents and investments	<u>\$ 213</u>	<u>\$ 9,421,668</u>	<u>\$ 3,270,470</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (105,655)	\$ 2,910,781	\$ 272,073
Adjustments:			
Depreciation	-	1,119,113	367,200
Change in assets and liabilities:			
Utility bills receivable	-	21,999	-
Accounts receivable	-	(27,262)	1,422
Inventory	-	(1,352)	-
Accounts payable	-	1,785,787	(6,971)
Deposits payable	-	19,990	-
Accrued wages payable	-	3,811	(576)
Compensated absences payable	-	11,948	(8,369)
Net pension liability and related deferred outflows/inflows	-	(158,889)	(20,725)
Net cash provided (used) by operating activities	<u>\$ (105,655)</u>	<u>\$ 5,685,926</u>	<u>\$ 604,054</u>

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

CITY OF OWOSSO

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2025

	<u><i>Custodial Fund</i></u>
	<u><i>Current Tax Collection Fund</i></u>
Assets:	
Cash and cash equivalents	\$ -
Liabilities:	
Accounts payable	-
Net position:	
Held for others	\$ -

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

CITY OF OWOSSO

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2025

	<u><i>Custodial Fund</i></u> <u><i>Current Tax Collection Fund</i></u>
Additions:	
Property taxes collected for other governments	\$ 9,968,410
Total additions	<u>9,968,410</u>
Deductions:	
Payments of property taxes to other governments	<u>9,968,410</u>
Total deductions	<u>9,968,410</u>
Change in net position	<u>-</u>
Net position, beginning of year	<u>-</u>
Net position, end of year	<u><u>\$ -</u></u>

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

CITY OF OWOSSO

COMPONENT UNITS STATEMENT OF NET POSITION

June 30, 2025

	<i>Brownfield Development Authority</i>	<i>Downtown Development Authority</i>	<i>Total</i>
Assets:			
Cash and cash equivalents	\$ 89,444	\$ 6,048	\$ 95,492
Investments	66,314	248,394	314,708
Loans receivable	-	23,335	23,335
Capital assets being depreciated, net	-	13,917	13,917
Total assets	<u>155,758</u>	<u>291,694</u>	<u>447,452</u>
Liabilities:			
Accounts payable and accrued expenses	-	7,322	7,322
Long-term liabilities:			
Due within one year			
Advance from primary government	163,654	-	163,654
Due in more than one year			
Advance from primary government	<u>1,070,409</u>	<u>-</u>	<u>1,070,409</u>
Total liabilities	<u>1,234,063</u>	<u>7,322</u>	<u>1,241,385</u>
Net position:			
Net investment in capital assets	-	13,917	13,917
Unrestricted (deficit)	<u>(1,078,305)</u>	<u>270,455</u>	<u>(807,850)</u>
Total net position	<u>\$ (1,078,305)</u>	<u>\$ 284,372</u>	<u>\$ (793,933)</u>

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

CITY OF OWOSSO

COMPONENT UNITS STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

	<i>Brownfield Development Authority</i>	<i>Downtown Development Authority</i>	<i>Total</i>
Expenses:			
Community and economic development	\$ 412,382	\$ 278,582	\$ 690,964
Program revenues:			
Charges for services	-	28,185	28,185
Operating grants and contributions	185,878	55,336	241,214
	<u>185,878</u>	<u>83,521</u>	<u>269,399</u>
Net (expenses) revenues	<u>(226,504)</u>	<u>(195,061)</u>	<u>(421,565)</u>
General revenues:			
Property taxes levied and captured	487,481	272,585	760,066
PPT reimbursement	7,257	26,454	33,711
Unrestricted investment earnings	2,853	8,833	11,686
Transfers	<u>33,964</u>	<u>(33,964)</u>	<u>-</u>
Total general revenues	<u>531,555</u>	<u>273,908</u>	<u>805,463</u>
Changes in net position	305,051	78,847	383,898
Net position (deficit), beginning of year	<u>(1,383,356)</u>	<u>205,525</u>	<u>(1,177,831)</u>
Net position (deficit), end of year	<u>\$ (1,078,305)</u>	<u>\$ 284,372</u>	<u>\$ (793,933)</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by the City of Owosso (the “City”):

Reporting Entity:

The City is governed by an elected seven-member Council, and the Mayor is chosen by the elected council members. The day to day operations and administration of the City is under the responsibility of an appointed City Manager. The accounting policies of the City of Owosso conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

The accompanying financial statements present the City as the primary government. Component units are separate legal entities for which the City is financially accountable. Blended component units are, in substance, part of the primary government’s operations, and presented as funds of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements. The City has determined that it has two discretely presented component units.

Blended Component Unit:

Building Authority – The Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were a part of the primary government because its primary purpose is to finance and construct the City’s public buildings. The Building Authority is reported as a debt service fund. There was no activity reported in the current year.

Discretely Presented Component Units:

Brownfield Redevelopment Authority – The Brownfield Redevelopment Authority (“Brownfield”) 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’s governing body, which consists of seven members, is appointed by the City Council. In addition, the Brownfield’s annual budget and any debt issuances are subject to approval by the City Council. The financial statements of the Brownfield are included in the City’s financial statements and are not audited separately.

Downtown Development Authority – The Downtown Development Authority (“DDA”) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA’s nine-member governing body is appointed by the City Council for a fixed term. The City approves the annual budget and any debt issuances of the DDA. The financial statements of the DDA are included in the City’s financial statements and are not audited separately.

Accounting and Reporting Principles:

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Report Presentation:

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide

financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. 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. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues 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. Taxes and other items not properly included among program revenues are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these 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.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are not included in the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Basis of Accounting:

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources. Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due. Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Accounting:

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it has spent certain resources - separate funds allow the City to show the particular expenditures that specific revenues were used for. The various funds are aggregated into two broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The City reports the following funds as “major” governmental funds:

General Fund is the City’s primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.

Special Revenue Fund – Major Street Fund accounts for the maintenance and construction of streets designated by the Michigan Department of Transportation as major streets in the City.

Proprietary funds include enterprise funds, which provide goods or services to users in exchange for charges or fees. The City reports the following as “major” enterprise funds:

Enterprise Fund – Sewer Disposal System Fund – accounts for the operation and maintenance of the City’s sewage disposal system.

Enterprise Fund – Water Supply System Fund – accounts for the operation and maintenance of the City’s water supply system.

Enterprise Fund – Wastewater Treatment Supply System Fund – accounts for the operation and maintenance of the City’s wastewater treatment plant. It provides treatment facilities for Owosso and Caledonia Townships, the City of Corunna, as well as the City itself.

Additionally, the City reports the following fund types:

Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt Service Funds account for payment of principal and interest on long-term debt.

Capital Projects Funds – Capital Projects Funds account for the resources used for capital projects.

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

Fiduciary Funds – Custodial Funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

Specific Balances and Transactions:

Deposits and Investments – Cash and cash equivalents includes cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the City considers all investments (including restricted assets) to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Inventories – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds and proprietary funds are recorded as expenditures when consumed rather than when purchased.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items acquired or constructed since 1980), are defined by the City as assets with an individual cost in excess of \$10,000 with the exception of infrastructure, which must have a cost in excess of \$50,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are being depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10-50 years
Infrastructure	20-50 years
Land improvements	10-20 years
Machinery and equipment	5-20 years
Office equipment	5-10 years
Utility systems and improvements	5-60 years
Vehicles and Vehicles/Equipment	4-30 years

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 financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payables are reported net of the applicable bond premium or discount. The general fund and debt service funds are generally used to liquidate governmental long-term 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Unearned Revenues – Governmental funds and proprietary funds defer revenue recognition in connection with resources that have been received but not yet earned.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

Net Position Flow Assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. 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. Nonspendable fund balance would be equal to inventory, prepaid items, and the nonspendable portion of endowments. *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. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Council.

The City Council has adopted a minimum fund balance policy in which the general fund will be equal to 25% of general fund operating expenses. If the fund balance of the general fund falls below the minimum range, the City will replenish shortfall by reducing expenditures, increasing revenues or a combination of expenditure reductions and revenue enhancements as detailed in the policy. If the fund balance of the general fund exceeds 25% plus an infrastructure emergency reserve of \$1 million, the City shall consider using such surpluses for one-time non-recurring expenditures that will not require additional future expenses for maintenance, additional staffing, or any other recurring expenditures, in accordance with the policy.

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. The 2025 taxable valuation of the City totaled \$339,251,929 (a portion of which is captured by the DDA and Brownfield). The City levied 12.5611 mills for general operations, 1.0000 mill for Public Act 298 (brush/leaves/street cleanings), 2.1423 mills for debt service, and 0.3298 mills for transit services. The taxable valuation for the DDA totaled \$20,707,837 and the DDA levied 1.8815 mills.

Defined Benefit Plan Pension Costs – The City offers a defined benefit pension plan to its employees. For this plan, the City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Proprietary Funds Operating Classification – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues of the proprietary funds are charges to customers for sales and services. The proprietary funds recognize as capital contributions the tap fees intended to recover the cost of connecting new customers to the system, if any, and as nonoperating revenues rental income and investment income. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All expenses not included in these classifications are reported as nonoperating expenses.

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Interfund Activity:

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year-end, except for those approved by the City Council for carry forward. The annual budget is prepared by the City's management and adopted by the City Council; subsequent amendments are approved by the City Council. During the current year, the budget was amended in a legally permissible manner. Unexpended appropriations lapse at year end.

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

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the City did not incur expenditures in excess of the amounts budgeted.

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations 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 of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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. The City's deposits and investments have been made in accordance with statutory authority.

The City's deposits and investments are subject to several types of risk, which are presented in more detail as follows:

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a written deposit policy for custodial credit risk. At year end, the City had \$15,002,402 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$5,675,991 was covered by depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, City policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2025, none of the City's investments were exposed to custodial credit risk.

Interest Rate Risk - Investments: Interest rate risk is the risk that the value of fixed income investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The City's investment policy does not have specific limits in excess of State law on investment maturities as a means on managing its exposure to fair value losses arising from increasing interest rates.

The City's investments had the following average maturity structure as of June 30, 2025:

<i><u>Investment Type</u></i>	<i><u>Market Value</u></i>	<i><u>Less than 1 Year</u></i>
Investment Trust Funds - Michigan CLASS	\$ 4,910,513	\$ 4,910,513
Money Market Funds - US Treasury & Government	8,576,022	8,576,022
	<u>\$ 13,486,535</u>	<u>\$ 13,486,535</u>

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a percentage of the total investment portfolio.

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

Credit Risk – Investments: State law limits investments to specific government securities, certificates of deposit 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. The City's investment policy does not have specific limits in excess of state law on investment credit risk.

The City's investments had the following credit risk structure as of June 30, 2025:

<i>Investment Type</i>	<i>Market Value</i>	<i>Rating</i>	<i>Rating Organization</i>	<i>Percent of Total</i>
Investment Trust Funds - Michigan CLASS	\$ 4,910,513	AAAm	S&P	36%
Money Market Funds - US Treasury & Government	<u>8,576,022</u>	AAAm	S&P	<u>64%</u>
	<u>\$ 13,486,535</u>			<u>100%</u>

NOTE 4: FAIR VALUE MEASUREMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City has the following recurring fair value measurement as of June 30, 2025:

<i>Investment Type</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Market Value</i>
Investment Trust Funds - Michigan CLASS	\$ -	\$ -	\$ -	\$ 4,910,513
Money Market Funds - US Treasury & Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,576,022</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,486,535</u>

The City has \$4,910,513 invested with the Michigan Cooperative Liquid Assets Security System (Michigan CLASS). Michigan CLASS is a participant-controlled trust created in accordance with Section 5 of Act 7 of the Urban Cooperation Act of 1967 and the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150. Michigan CLASS funds are authorized to invest in U.S. Treasuries, U.S. Agencies, commercial paper, bankers' acceptances, repurchase agreements, certificates of deposit, and mutual funds. Michigan CLASS is not subject to regulatory oversight and is not registered with the SEC, however, does issue a separate audited financial statement. Michigan CLASS operates like a money market mutual fund, with each share valued at \$1. Fair value of the City's position in the government investment pool is the same as the value of the Michigan CLASS pool shares.

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 4: FAIR VALUE MEASUREMENTS, CONTINUED

Michigan CLASS (money market mutual fund) is recorded at amortized cost, which approximates fair value and these funds are not subject to the fair value disclosures under Governmental Accounting Standards Board (GASB) Statement No. 72. The funds do not require notification of redemptions.

The City's investment in the Money Market Funds – US Treasury & Government of \$8,576,022 are valued at net asset value. At June 30, 2025, there were no unfunded commitments or redemption restrictions.

NOTE 5: CAPITAL ASSETS

Capital assets activity of the City's government activities, business-type activities and component units was as follows:

	<i>July 1, 2024</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2025</i>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,558,613	\$ 14,375	\$ -	\$ 4,572,988
Construction in progress	1,691,486	2,329,779	(2,053,125)	1,968,140
Total capital assets not being depreciated	<u>6,250,099</u>	<u>2,344,154</u>	<u>(2,053,125)</u>	<u>6,541,128</u>
Capital assets being depreciated:				
Buildings and improvements	3,192,581	-	(296,591)	2,895,990
Infrastructure	42,309,302	2,964,224	-	45,273,526
Land improvements	4,410,158	-	-	4,410,158
Machinery and equipment	3,334,996	47,925	-	3,382,921
Office equipment	1,496,444	-	-	1,496,444
Vehicles	<u>5,944,778</u>	<u>1,309,765</u>	<u>(79,101)</u>	<u>7,175,442</u>
Total capital assets being depreciated	<u>60,688,259</u>	<u>4,321,914</u>	<u>(375,692)</u>	<u>64,634,481</u>
Accumulated depreciation				
Buildings and improvements	(2,702,285)	(30,626)	70,140	(2,662,771)
Infrastructure	(13,673,253)	(2,184,295)	-	(15,857,548)
Land improvements	(3,109,723)	(158,145)	-	(3,267,868)
Machinery and equipment	(1,913,919)	(238,875)	-	(2,152,794)
Office equipment	(1,368,765)	(31,717)	-	(1,400,482)
Vehicles	<u>(3,620,203)</u>	<u>(435,581)</u>	<u>79,101</u>	<u>(3,976,683)</u>
Total accumulated depreciation	<u>(26,388,148)</u>	<u>(3,079,239)</u>	<u>149,241</u>	<u>(29,318,146)</u>
Net capital assets being depreciated	<u>34,300,111</u>	<u>1,242,675</u>	<u>(226,451)</u>	<u>35,316,335</u>
Governmental activities, capital assets, net	<u>\$ 40,550,210</u>	<u>\$ 3,586,829</u>	<u>\$ (2,279,576)</u>	<u>\$ 41,857,463</u>

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 5: CAPITAL ASSETS, CONTINUED

	<i>July 1, 2024</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2025</i>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 365,842	\$ -	\$ -	\$ 365,842
Construction in progress	15,745,908	18,829,779	(4,890,831)	29,684,856
Total capital assets not being depreciated	16,111,750	18,829,779	(4,890,831)	30,050,698
Capital assets being depreciated:				
Buildings and improvements	13,245,204	-	-	13,245,204
Machinery and equipment	670,621	-	-	670,621
Office equipment	347,889	-	-	347,889
Utility systems and improvements	39,124,002	4,978,331	-	44,102,333
Vehicles/Equipment	1,628,872	179,531	-	1,808,403
Total capital assets being depreciated	55,016,588	5,157,862	-	60,174,450
Accumulated depreciation				
Buildings and improvements	(9,408,451)	(233,435)	-	(9,641,886)
Machinery and other equipment	(303,317)	(41,743)	-	(345,060)
Office equipment	(346,781)	(554)	-	(347,335)
Utility systems and improvements	(18,651,362)	(743,787)	-	(19,395,149)
Vehicles/Equipment	(615,012)	(99,594)	-	(714,606)
Total accumulated depreciation	(29,324,923)	(1,119,113)	-	(30,444,036)
Net capital assets being depreciated	25,691,665	4,038,749	-	29,730,414
Business-type activities, capital assets, net	<u>\$ 41,803,415</u>	<u>\$ 22,868,528</u>	<u>\$ (4,890,831)</u>	<u>\$ 59,781,112</u>
Component units:				
Capital assets being depreciated:				
Machinery and equipment	\$ 34,257	\$ -	\$ -	\$ 34,257
Accumulated depreciation				
Machinery and other equipment	(16,058)	(4,282)	-	(20,340)
Component units, capital assets, net	<u>\$ 18,199</u>	<u>\$ (4,282)</u>	<u>\$ -</u>	<u>\$ 13,917</u>

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 5: CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to programs of the primary government and component units as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>	<i><u>Component Units</u></i>
General government	\$ 89,149	\$ -	\$ -
Public safety	303,584	-	-
Public works	2,546,067	-	-
Community and economic development	-	-	4,282
Recreation and culture	140,439	-	-
Sewer disposal system	-	91,061	-
Water supply system	-	595,392	-
Wastewater treatment system	-	432,660	-
	<u>\$ 3,079,239</u>	<u>\$ 1,119,113</u>	<u>\$ 4,282</u>

NOTE 6: LONG-TERM DEBT

The City may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences.

Long-term debt transactions for the City's governmental activities for the year ended June 30, 2025 was as follows:

	<i><u>July 1, 2024</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>June 30, 2025</u></i>	<i><u>Due Within One Year</u></i>
Governmental activities:					
<i>Direct Placements</i>					
Unlimited Tax General Obligation Refunding Bonds, Series 2021A for \$9,110,000, due in annual amounts of \$285,000 to \$595,000, interest at 3.00-4.00% through May, 2039.	\$ 7,630,000	\$ -	\$ (500,000)	\$ 7,130,000	\$ 515,000
General Obligation Limited Tax Refunding Bonds, Series 2021B for \$475,000, due in annual amounts of \$50,000 to \$70,000, interest at 4.00% through May, 2029.	320,000	-	(55,000)	265,000	60,000
Premium on 2021A UTGO Bonds	1,109,839	-	(73,989)	1,035,850	-
Premium on 2021B LTGO Bonds	38,907	-	(7,781)	31,126	-

continued

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: LONG-TERM DEBT, CONTINUED

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2025</u>	<u>Due Within One Year</u>
2023 General Obligation Bond for \$842,000, due in annual amounts of \$31,000 to \$54,000, interest at 3.625% through April, 2043.	63,000	750,000	(31,000)	782,000	32,000
<i>Other liabilities:</i>					
Compensated absences	<u>529,944</u>	<u>44,818</u> *	<u>-</u>	<u>574,762</u>	<u>-</u>
Total governmental activities long-term debt	<u>\$ 9,691,690</u>	<u>\$ 794,818</u>	<u>\$ (667,770)</u>	<u>\$ 9,818,738</u>	<u>\$ 607,000</u>

* The change in the compensated absences liability is presented as a net change.

Annual debt service requirements to maturity for the governmental activities direct placements, not including bond premiums, as of June 30, 2025 are as follows:

<i>Year Ended</i> <i>June 30,</i>	<i>Governmental Activities</i>		
	<i>Direct Placements</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2026	\$ 607,000	\$ 291,598	\$ 898,598
2027	633,000	267,438	900,438
2028	649,000	242,242	891,242
2029	665,000	216,408	881,408
2030	612,000	189,940	801,940
2031-2035	2,974,000	602,448	3,576,448
2036-2040	1,873,000	164,316	2,037,316
2041-2043	<u>164,000</u>	<u>11,892</u>	<u>175,892</u>
	<u>\$ 8,177,000</u>	<u>\$ 1,986,282</u>	<u>\$ 10,163,282</u>

Long-term debt transactions for the City's business-type activities for the year ended June 30, 2025 was as follows:

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: LONG-TERM DEBT, CONTINUED

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2025</u>	<u>Due Within One Year</u>
Business-type activities:					
<i>Direct Placements:</i>					
General Obligation Limited Tax Sewer System Improvement Bond, Series 2008 for \$801,786, due in annual amounts of \$50,000 to \$51,786, interest at 2.50% through April 1, 2028.	\$ 206,786	\$ -	\$ (50,000)	\$ 156,786	\$ 50,000
Sewer System Revenue Bond, Series 2020 for \$1,141,664, due in annual amounts of \$50,000 to \$71,664, interest at 2.00% through October 1, 2040.	981,664	-	(50,000)	931,664	50,000
Water Supply System Revenue Bond, Series 2020 for \$2,971,023, due in annual amounts of \$131,000 to \$184,023, interest at 2.00% through October 1, 2040.	2,580,023	-	(126,000)	2,454,023	131,000
Water Supply System Revenue Bond, Series 2022B for \$715,540, due in annual amounts of \$30,000 to \$40,540, interest at 1.875% through April 1, 2042.	655,540	-	(30,000)	625,540	30,000
Water Supply System Revenue Bond, Series 2023 for \$3,033,750, due in annual amounts of \$130,000 to \$180,000, interest at 1.875% through April 1, 2044.	3,033,750	-	(123,750)	2,910,000	130,000
Water Supply System Junior Lien Revenue Bonds, Series 2025 for \$1,745,000, due in annual amounts of \$77,500 to \$110,000, interest at 2.00% through October 1, 2045. (not finalized)	50,000	1,454,053	-	1,504,053	-
Water Supply System Junior Lien Revenue Bonds, Series 2024 for \$10,245,000, due in annual amounts (not finalized)	-	71,091	-	71,091	-
Wastewater Treatment System Revenue Bonds, Series 2020 for \$2,145,000, due in annual amounts of \$95,000 to \$130,000, interest at 2.00% through October 1, 2040.	1,875,000	-	(95,000)	1,780,000	95,000

continued

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: LONG-TERM DEBT, CONTINUED

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2025</u>	<u>Due Within One Year</u>
Wastewater Treatment System Revenue Bonds, Series 2022 for \$4,885,000, due in annual amounts of \$135,000 to \$230,000, interest at 2.125% through April 1, 2051.	4,755,000	-	(130,000)	4,625,000	135,000
Wastewater Treatment System Revenue Bonds, Series 2023 for \$13,700,000, due in annual amounts of \$630,000 to \$820,000, interest at 1.875% through October 1, 2055. (not finalized)	5,293,718	4,758,062	-	10,051,780	-
Wastewater Treatment System Revenue Bonds, Series 2024 for \$4,275,000, due in annual amounts of \$105,000 to \$190,000, interest at 2.00% through October 1, 2055. (not finalized)	2,630	2,579,572	-	2,582,202	-
<i>Direct Borrowings:</i>					
2017 Installment Purchase Agreement for \$1,900,000, due due in annual amounts of \$129,181 to \$147,057, interest at 2.50% through May 15, 2031.	953,666	-	(125,876)	827,790	129,181
<i>Other liabilities:</i>					
Compensated absences	<u>130,739</u>	<u>11,948</u> *	<u>-</u>	<u>142,687</u>	<u>-</u>
Total business-type activities long-term debt	<u>\$ 20,518,516</u>	<u>\$ 8,874,726</u>	<u>\$ (730,626)</u>	<u>\$ 28,662,616</u>	<u>\$ 750,181</u>

Annual debt service requirements to maturity for the business-type activities direct borrowings and direct placements as of June 30, 2025 are as follows:

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: LONG-TERM DEBT, CONTINUED

Year Ended June 30,	<i>Business-type Activities</i>			<i>Business-type Activities</i>		
	<i>Direct Placements</i>			<i>Direct Borrowings</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2026	\$ 621,000	\$ 269,046	\$ 890,046	\$ 129,181	\$ 21,738	\$ 150,919
2027	631,000	256,408	887,408	132,574	18,345	150,919
2028	647,786	243,438	891,224	136,055	14,864	150,919
2029	601,000	230,260	831,260	139,628	11,291	150,919
2030	621,000	218,124	839,124	143,295	7,624	150,919
2036-2040	3,640,000	555,916	4,195,916	-	-	-
2041-2045	2,131,227	240,143	2,371,370	-	-	-
2046-2050	1,075,000	94,032	1,169,032	-	-	-
2051-2054	230,000	4,888	234,888	-	-	-
	<u>\$ 13,483,013</u>	<u>\$ 3,011,865</u>	<u>\$ 16,494,878</u>	<u>\$ 827,790</u>	<u>\$ 77,724</u>	<u>\$ 905,514</u>
Principal outstanding/ not finalized	<u>14,209,126</u>					
	<u>\$ 27,692,139</u>					

Water Supply System Junior Lien Revenue Bonds, Series 2024 were issued May 6, 2024 in the amount of \$1,867,500. As of June 30, 2025, the City has borrowed \$1,504,053. Because the City is a qualified disadvantaged community, the project was awarded principal forgiveness of \$122,500. The outstanding debt balance at June 30, 2025 of \$1,504,053 is not included in the above repayment schedule because the debt schedule has not been finalized.

Water Supply System Junior Lien Revenue Bonds, Series 2025 were issued July 17, 2025 in the amount of \$10,245,000. As of June 30, 2025, the City has borrowed \$71,091. Because the City is a qualified disadvantaged community, the project is being awarded principal forgiveness not to exceed of \$1,865,000. The outstanding debt balance at June 30, 2025 of \$71,091 is not included in the above repayment schedule because the debt schedule has not been finalized.

Wastewater Treatment System Revenue Bonds, Series 2023 were issued August 28, 2023 in the amount of \$19,000,000. As of June 30, 2025, the City has borrowed \$10,051,780. Because the City is a qualified disadvantaged community, the project was awarded principal forgiveness of \$5,300,000. The outstanding debt balance at June 30, 2025 of \$10,051,780 is not included in the above repayment schedule because the debt schedule has not been finalized.

Wastewater Treatment System Revenue Bonds, Series 2024 were issued August 28, 2024 in the amount of \$4,275,000. As of June 30, 2025, the City has borrowed \$2,582,202. The outstanding debt balance at June 30, 2025 of \$2,582,202 is not included in the above repayment schedule because the debt schedule has not been finalized.

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: LONG-TERM DEBT, CONTINUED

Long-term debt transactions for the components units for the year ended June 30, 2025 was as follows:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2025</u>	<u>Due Within One Year</u>
Component units:					
<i>Direct Borrowings:</i>					
EGLE - Brownfield Redevelopment					
Loan for \$287,969. PAID OFF	\$ 185,878	\$ -	\$ (185,878)	\$ -	\$ -

NOTE 7: LONG-TERM ADVANCES

The City authorized the following long-term loans or advances. Balances outstanding at year end were as follows:

	<u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2025</u>	<u>Due Within One Year</u>
Advances:					
General Fund loan to Component					
Unit - Brownfield Redevelopment					
Authority for \$2,120,497, due in					
annual amounts of \$140,953 to					
\$165,897, interest at 2.33%					
through March 2032.	\$ 1,225,077	\$ -	\$ (140,953)	\$ 1,084,124	\$ 144,272
Revolving Loan Fund to					
Component Unit - Brownfield					
Redevelopment Authority for					
\$220,880, due in annual amounts					
of \$19,382, interest at 0.00%					
through June 30, 2026.	38,773	-	(19,391)	19,382	19,382
Sewer Fund to Component Unit -					
Brownfield Redevelopment					
Authority for \$130,556.					
Repayment terms will be					
established when all costs are					
finalized.	49,612	80,944	-	130,556	-
	<u>\$ 1,313,462</u>	<u>\$ 80,944</u>	<u>\$ (160,344)</u>	<u>\$ 1,234,062</u>	<u>\$ 163,654</u>

Annual debt service requirements to maturity for the component unit advance payable to the primary government as of June 30, 2025 are as follows:

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: LONG-TERM ADVANCES, CONTINUED

<i>Year Ended</i> <i>June 30,</i>	<i>Component Units</i>		
	<i>Advance Payables</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2026	\$ 163,654	\$ 23,726	\$ 187,380
2027	147,670	20,328	167,998
2028	151,148	16,850	167,998
2029	154,707	13,291	167,998
2030	158,350	9,648	167,998
2031-2033	<u>327,977</u>	<u>8,019</u>	<u>335,996</u>
	\$ 1,103,506	\$ 91,862	\$ 1,195,368
Principal outstanding/ not finalized	<u>130,556</u>		
	<u>\$ 1,234,062</u>		

NOTE 8: INTERFUND TRANSFERS

Interfund transfers were either to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, or (2) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the year were as follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>	<i>Amount</i>
Major Street Fund	Local Street Fund	\$ 350,000
	Nonmajor Governmental Funds	
General Fund	Historical Fund	252,193
Nonmajor Governmental Funds		
ARPA Fund	General Fund	305,835
ARPA Fund	Water Fund	<u>182,606</u>
		<u>\$ 1,090,634</u>
Downtown Development Authority	Brownfield Development Authority	<u>\$ 33,964</u>

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end in the aggregate are as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total Primary Government</i>	<i>Component Units</i>
Receivables:				
Utility bills receivable	\$ -	\$ 2,007,944	\$ 2,007,944	\$ -
Accounts	447,908	205,693	653,601	-
Special assessments receivable				
Current	300,000	-	300,000	-
Long-term	714,814	-	714,814	-
Loans receivable				
Current	140,000	6,241	146,241	4,370
Long-term	110,235	84,614	194,849	18,965
Intergovernmental	1,970,434	7,009,260	8,979,694	-
Total receivables	<u>\$ 3,683,391</u>	<u>\$ 9,313,752</u>	<u>\$ 12,997,143</u>	<u>\$ 23,335</u>
Accounts payable and accrued expenses:				
Accounts	\$ 655,131	\$ 5,202,704	\$ 5,857,835	\$ 5,474
Payroll and related liabilities	170,417	38,519	208,936	1,848
Interest	75,857	101,753	177,610	-
Deposits payable	84,143	227,715	311,858	-
Total accounts payable and accrued expenses	<u>\$ 985,548</u>	<u>\$ 5,570,691</u>	<u>\$ 6,556,239</u>	<u>\$ 7,322</u>

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The City has two employee pension plans. One plan is a Defined Contribution Plan and the other plan is a Defined Benefit Plan. Information concerning each plan follows:

Defined Contribution Pension Plan:

The City provides pension benefits to the city manager position along with new employees under the AFSCME collective bargaining contract and general employees under the Personnel Policy Manual (revised as of 12-19-2022) with a defined contribution plan administered under the Municipal Employees Retirement System (MERS) of Michigan, for which the City provides employer contributions. In accordance with the collective bargaining agreement and personnel policy manual, the City contributed \$267,063 during the current year and employees contributed \$327,698 during the year. At June 30, 2025, the City had no outstanding amounts due to the Plan.

Defined Benefit Pension Plan (Municipal Employees' Retirement System of Michigan):

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

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS, CONTINUED

Benefits Provided – The following are the benefits provided from the December 31, 2025 valuation.

	<i>01 - AFSCME Council: Closed to new hires</i>	<i>02 - Plc. Cmnd. Emp: Open Division</i>	<i>05 - Fire hired bf 5/1/19: Closed to new hires, linked to Division HB</i>
Benefit Multiplier:	2.50% Multiplier (80% max)	Bridged Benefit: 2.80% Multiplier (80% max)-Frozen FAC; 2.50% Multiplier (80% max)	2.80% Multiplier for Svc < 25 yrs, 1.00% Multiplier for Svc > 25 yrs paid to SS Age, 2.38% Multiplier paid after SS Age (75% max)
Bridged Benefit Date:		6/30/2012	
Normal Retirement Age:	60	60	55
Vesting:	10 years	10 years	10 years
Early Retirement (Unreduced):	55/25	50/25	50/25
Early Retirement (Reduced):	50/25; 55/15	55/15	-
Final Average Compensation:	3 years	3 years	3 years
COLA for Future and Current Retirees:			1.40% (Non-Compound) payable for 10 years
Employee Contributions:	6.40%	10.00%	8.00%
Act 88:	Yes (Adopted 7/20/1964)	Yes (Adopted 7/20/1964)	Yes (Adopted 7/20/1964)
	<i>10 - AFSCME hired pr 7/1/05: Closed to new hires</i>	<i>11 - General ee's hired pr 1/1/06: Closed to new hires</i>	<i>20 - POLC - NonSupervisory: Closed to new hires, linked to Division HA</i>
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)	2.80% Multiplier (80% max)
Normal Retirement Age:	60	60	55
Vesting:	10 years	10 years	10 years
Early Retirement (Unreduced):	55/25	-	50/25
Early Retirement (Reduced):	50/25; 55/15	50/25; 55/15	-
Final Average Compensation:	3 years	3 years	3 years
COLA for Future and Current Retirees:	1.40% (Non-Compound) payable for 10 years	1.40% (Non-Compound) payable for 10 years	1.40% (Non-Compound) payable for 10 years
Employee Contributions:	6.00%	6.00%	10.00%
Act 88:	Yes (Adopted 7/20/1964)	Yes (Adopted 7/20/1964)	Yes (Adopted 7/20/1964)

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

	<i>HA - POLC - NonSup hired aft 12/1/18: Open Division, linked to Division 20</i>	<i>HB - IAFF hired aft 5/1/19: Open Division, linked to Division 5</i>
Benefit Multiplier:	1.50% Multiplier (no max)	1.50% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	6 years	6 years
Early Retirement (Unreduced):	55/25	55/25
Final Average Compensation:	3 years	3 years
Employee Contributions:	0.00%	0.00%
Act 88:	Yes (Adopted 7/20/1964)	Yes (Adopted 7/20/1964)

Employees covered by benefit terms – At the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	100
Inactive employees entitled to but not yet receiving benefits (including refunds):	5
Active employees	48
Total	<u>153</u>

Contributions – Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City may establish contribution rates to be paid by its covered employees. The annual City required contributions, equal to the actuarially determined contribution based on the valuation projected payroll from the December 31, 2022 actuarial valuation, were as follows:

	<i>Employer Contribution Percentage or Flat Amount</i>	<i>Employee Contribution Percentage</i>
Divisions:		
01 - AFSCME Council	\$2,102/month	6.40%
02 - Plc. Cmnd. Emp	51.82%	10.00%
05 - Fire hired bf 5/1/19	\$8,421/month	8.00%
10 - AFSCME hired pr 7/1/05	\$6,317/month	6.00%
11 - General ee's hired pr 1/1/06	\$12,969/month	6.00%
20 - POLC - NonSupervisory	\$11,454/month	10.00%
HA - POLC - NonSup hired aft 12/1/18	9.25%	0.00%
HB - IAFF hired aft 5/1/19	6.83%	0.00%

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

Net Pension Liability – The City’s net pension liability reported at June 30, 2025 was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation: 2.50%; Salary Increases: 3.00% in the long-term; Investment rate of return: 6.93%, net of investment and administrative expenses including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

Asset Class	Target Allocation	Long-term Expected Gross Return	Long-term Expected		
			Gross Return Contribution	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.0%	4.66%	0.93%	2.50%	0.43%
Private Investments	20.0%	9.00%	1.80%	2.50%	1.30%
Total	100.0%		6.93%		4.43%

Discount rate – The discount rate used to measure the total pension liability is 7.18%. The projection of cash flows used to determine the discount rate assumes that City and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for the City. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability during the measurement year were as follows:

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability</i>
Balances at 12/31/23	\$ 47,614,948	\$ 41,167,417	\$ 6,447,531
Service cost	540,921	-	540,921
Interest on total pension liability	3,314,021	-	3,314,021
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(819,509)	-	(819,509)
Changes in assumptions	(106,567)	-	(106,567)
Employer contributions	-	830,398	(830,398)
Employee contributions	-	239,193	(239,193)
Net investment income (loss)	-	3,042,467	(3,042,467)
Benefit payments, including employee refunds	(3,458,241)	(3,458,241)	-
Administrative expenses	-	(89,711)	89,711
Other changes	(1)	-	(1)
Net changes	(529,376)	564,106	(1,093,482)
Balances at 12/31/24	<u>\$ 47,085,572</u>	<u>\$ 41,731,523</u>	<u>\$ 5,354,049</u>

The net pension liability is recorded as follows:

Governmental activities	\$ 4,117,635
Business-type activities	<u>1,236,414</u>
	<u>\$ 5,354,049</u>

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the City, calculated using the discount rate of 7.18%, as well as what the City's net pension liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate.

	<i>1% Decrease Rate 6.18%</i>	<i>Current Rate 7.18%</i>	<i>1% Increase Rate 8.18%</i>
Change in net pension liability as of 12/31/24	<u>\$ 4,957,044</u>	<u>\$ -</u>	<u>\$ (4,198,902)</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2025; the City recognized pension expense, on the defined benefit plan, of \$118,773.

The City reported deferred outflows and inflows of resources related to pensions from the following sources:

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 10: EMPLOYEE RETIREMENT BENEFIT COMMITMENTS, CONTINUED

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Difference between expected and actual experience	\$ -	\$ 590,604
Changes in assumptions	22,546	-
Net difference between projected and actual earnings on pension plan investments	1,605,384	-
Contributions subsequent to the measurement date	400,899	-
	<u>\$ 2,028,829</u>	<u>\$ 590,604</u>

The deferred outflows of resources and deferred inflows of resources are recorded as follows:

Governmental activities	\$ 1,577,000	\$ 452,405
Business-type activities	451,829	138,199
	<u>\$ 2,028,829</u>	<u>\$ 590,604</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$400,899), which will impact the net pension liability in fiscal year 2026, rather than pension expense.

<i>Year Ended</i>	<i>Amount</i>
2026	\$ 437,389
2027	956,730
2028	(329,770)
2029	(27,023)

Pension Plan Fiduciary Net Position – Detailed information about the plan’s fiduciary net position is available in the separately issued financial report found at www.mersofmichigan.com. The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

NOTE 11: RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers’ compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee medical benefits and participates in the Michigan Municipal Risk 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.

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 11: RISK MANAGEMENT, CONTINUED

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The Michigan Municipal Risk Management Authority ("MMRMA") (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remain with the City.

At June 30, 2025, the City had \$246,236 on deposit in a member retention fund balance 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 member retention fund balance for the past two fiscal year were as follows:

	<u>2025</u>	<u>2024</u>
Unpaid claims - beginning of year	\$ -	\$ 41,500
Included claims and adjustments (including claims incurred but not reported)	84,598	47,855
Claim payments	<u>(44,129)</u>	<u>(89,355)</u>
Unpaid claims - end of year	40,469	-
Member retention fund balance end of year	<u>246,236</u>	<u>225,495</u>
<i>Member retention fund balance end of year, net</i>	<u><u>\$ 205,767</u></u>	<u><u>\$ 225,495</u></u>

NOTE 12: TAX ABATEMENTS

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. For the year ended June 30, 2025, the City's property taxes were reduced by \$15,640 under this program.

Obsolete property is defined under the Michigan Obsolete Property Rehabilitation Act (Public Act 146 of 2000) as commercial property that is functionally obsolete or blighted. A certified Obsolete Property Rehabilitation District allows qualified investment in the rehabilitation of such property to be considered for an Obsolete Property Rehabilitation Exemption Certificate, which may provide a property tax abatement for a period of up to 12 years. The taxable value of the qualifying property is set ("frozen") at the taxable value assigned in the year immediately preceding the effective date of the exemption certificate. For the year ended June 30, 2025, the City's property taxes were reduced by \$11,013 under this program.

Brownfield redevelopment property tax abatements are granted in the State of Michigan under Public Act 381, as amended, to encourage investment in the revitalization, redevelopment, and reuse of certain properties considered contaminated, blighted, functionally obsolete, or historic resources. The brownfield

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 12: TAX ABATEMENTS, CONTINUED

redevelopment tax exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. Brownfield redevelopment exemptions can cover real and/or personal property. Property must be included in a Brownfield Plan and qualify as either a facility/site, functionally obsolete, blighted, historic resource, transit oriented property/development or a targeted redevelopment area. The beneficiary's taxes are not reduced, but are captured and reimbursed, thereby reducing the effective rate of taxation. Upon paying its taxes, a participant is eligible to be reimbursed, from a portion of its taxes paid, by the Brownfield Redevelopment Authority for the documented costs of its eligible activities, thereby reducing the effective tax that is paid. In this case, the taxes are not reduced, but are used to reimburse for certain eligible activity costs. The amount of taxes not collected by local taxing authorities is generally any amount of taxes in excess of those taxes paid in the year immediately preceding approval of a Brownfield Plan Amendment. Reimbursement is made pursuant to the terms and conditions of a Development and Reimbursement Agreement between the applicant and the Brownfield Redevelopment Authority. If taxes are captured and the terms and conditions of the Development and Reimbursement Agreement for the project are violated, the taxes may be returned to the taxing authorities that would otherwise have received the taxes. From time to time, the City and/or the Brownfield Redevelopment Authority participate in a project by making investments in public infrastructure surrounding a project. For the year ended June 30, 2025, the City's property taxes were reduced by \$115,277 under this program.

NOTE 13: ENDOWED FUNDS

In a prior year and the current year, the City of Owosso Historical Commission irrevocably transferred assets to the Shiawassee Community Foundation. The Fund is endowed, meaning that the Historical Commission intends that it exist in perpetuity. The assets are deemed under the power of the Community Foundation and are not reported on the financial statements of the Historical Commission. The balance at June 30, 2025 held by the Foundation was \$153,088. The Historical Commission will receive distributions from the endowment fund in accordance with the policy of the Shiawassee Community Foundation.

NOTE 14: DEFICIT NET POSITION

The City's Brownfield Redevelopment Authority, a discretely presented component unit, has a deficit unrestricted and total net position of \$1,078,305. The Brownfield Redevelopment Authority will capture property taxes in the future and use revenues from services to eliminate this deficit.

NOTE 15: SUBSEQUENT EVENTS

On September 3, 2025, the City signed an Installment Purchase Agreement in the amount of \$783,060 for the purchase of a street sweeper and sewer vacuum truck.

As mentioned on page 51, on July 17, 2025, the city issued Water Supply System Junior Lien Revenue Bond, Series 2025 in the amount of \$10,245,000 for water system improvements.

CITY OF OWOSSO

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

NOTE 16: FUND BALANCES – GOVERNMENTAL FUNDS

The City reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources in governmental funds. Detailed information on fund balance of governmental funds is as follows:

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Nonmajor Funds</i>	<i>Total Governmental Funds</i>
Nonspendable:				
Inventory	\$ 61,455	\$ -	\$ -	\$ 61,455
Prepaid expenditures	41,321	-	960	42,281
Long-term loans receivable	-	-	250,235	250,235
Advance to component unit	1,084,125	-	19,382	1,103,507
Total nonspendable	<u>1,186,901</u>	<u>-</u>	<u>270,577</u>	<u>1,457,478</u>
Restricted for:				
Construction code	-	-	304,371	304,371
Debt service	-	-	35,276	35,276
Historical	-	-	171,715	171,715
Housing and redevelopment	-	-	3,674	3,674
Opioid	-	-	63,943	63,943
Parks	-	-	10,827	10,827
Revolving loan	-	-	871,701	871,701
Streets	-	2,362,507	1,349,179	3,711,686
Total restricted	<u>-</u>	<u>2,362,507</u>	<u>2,810,686</u>	<u>5,173,193</u>
Assigned for:				
Ambulance	400,000	-	-	400,000
Economic development	500,000	-	-	500,000
Ladder truck replacement	1,500,000	-	-	1,500,000
Special assessments - streets	350,000	-	-	350,000
Total assigned	<u>2,750,000</u>	<u>-</u>	<u>-</u>	<u>2,750,000</u>
Unassigned	<u>5,419,751</u>	<u>-</u>	<u>-</u>	<u>5,419,751</u>
Total fund balances	<u>\$ 9,356,652</u>	<u>\$ 2,362,507</u>	<u>\$ 3,081,263</u>	<u>\$ 14,800,422</u>

NOTE 17: RESTATEMENT TO NET POSITION

Change in Accounting Principle – The City implemented Governmental Accounting Standards Board Statement No. 101, Compensated Absences which required recognition of additional liability at the beginning of the year. The effect on the beginning net position in the government-wide financial statements is as follows:

	<i>Governmental Activities</i>
Beginning net position, as previously stated	\$ 45,671,666
Change in accounting principle (GASB 101)	<u>(117,604)</u>
Beginning net position, restated	<u>\$ 45,554,062</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OWOSSO

SCHEDULE OF CHANGES IN CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Calendar Year	2024	2023	2022	2021	2020
Total pension liability					
Service cost	\$ 540,921	\$ 542,632	\$ 511,755	\$ 490,586	\$ 511,427
Interest on total pension liability	3,314,021	3,304,710	3,300,298	3,396,971	751,518
Changes in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(819,509)	(132,792)	(265,918)	(1,115,880)	36,158,635
Changes in assumptions	(106,567)	280,770	-	1,502,391	299,435
Benefit payments, including employee refunds	(3,458,241)	(3,479,681)	(3,431,169)	(3,489,410)	(2,314,615)
Other changes	(1)	3,282	-	-	-
Net change in total pension liability	(529,376)	518,921	114,966	784,658	35,406,400
Total pension liability - beginning	47,614,948	47,096,027	46,981,061	46,196,403	10,790,003
Total pension liability - ending	<u>\$ 47,085,572</u>	<u>\$ 47,614,948</u>	<u>\$ 47,096,027</u>	<u>\$ 46,981,061</u>	<u>\$ 46,196,403</u>
Plan fiduciary net position					
Contributions - employer	\$ 830,398	\$ 1,394,511	\$ 1,042,571	\$ 1,467,148	\$ 25,564,961
Contributions - employee	239,193	239,355	256,962	256,479	2,857,659
Net investment income (loss)	3,042,467	4,259,737	(4,736,113)	5,808,757	6,810,907
Benefit payments, including employee refunds	(3,458,241)	(3,479,681)	(3,431,169)	(3,489,410)	(2,314,615)
Administrative expenses	(89,711)	(90,604)	(83,066)	(66,679)	(52,632)
Net change in plan fiduciary net position	564,106	2,323,318	(6,950,815)	3,976,295	32,866,280
Plan fiduciary net position - beginning	41,167,417	38,844,099	45,794,914	41,818,619	8,952,339
Plan fiduciary net position - ending	<u>\$ 41,731,523</u>	<u>\$ 41,167,417</u>	<u>\$ 38,844,099</u>	<u>\$ 45,794,914</u>	<u>\$ 41,818,619</u>
City's net pension liability	\$ 5,354,049	\$ 6,447,531	\$ 8,251,928	\$ 1,186,147	\$ 4,377,784
Plan fiduciary net position as a percentage of the total pension liability	89%	86%	82%	97%	91%
Covered payroll	\$ 3,433,737	\$ 3,385,402	\$ 3,151,094	\$ 3,081,347	\$ 3,262,120
City's net pension liability as a percentage of covered payroll	156%	190%	262%	38%	134%

continued

CITY OF OWOSSO

SCHEDULE OF CHANGES IN CITY'S NET PENSION LIABILITY AND RELATED RATIOS, CONTINUED

Calendar Year	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 206,341	\$ 58,387	\$ 60,121	\$ 58,476	\$ 59,072
Interest on total pension liability	392,133	386,699	372,940	370,415	367,218
Changes in benefit terms	-	-	7,111	5,931	50,916
Difference between expected and actual experience	5,515,134	33,459	128,899	(6,914)	(109,144)
Changes in assumptions	164,399	-	-	-	203,319
Benefit payments, including employee refunds	(572,986)	(396,219)	(396,218)	(398,083)	(385,997)
Other changes	-	-	-	-	-
Net change in total pension liability	5,705,021	82,326	172,853	29,825	185,384
Total pension liability - beginning	5,084,982	5,002,656	4,829,803	4,799,978	4,614,594
Total pension liability - ending	\$ 10,790,003	\$ 5,084,982	\$ 5,002,656	\$ 4,829,803	\$ 4,799,978
Plan fiduciary net position					
Contributions - employer	\$ 5,953,640	\$ 140,293	\$ 139,100	\$ 206,166	\$ 45,863
Contributions - employee	85,826	42,775	43,917	45,641	59,586
Net investment income (loss)	543,653	(122,935)	399,865	328,921	(45,980)
Benefit payments, including employee refunds	(572,986)	(396,219)	(396,218)	(398,083)	(385,997)
Administrative expenses	(9,039)	(6,245)	(6,346)	(6,486)	(6,899)
Net change in plan fiduciary net position	6,001,094	(342,331)	180,318	176,159	(333,427)
Plan fiduciary net position - beginning	2,951,245	3,293,576	3,113,258	2,937,099	3,270,526
Plan fiduciary net position - ending	\$ 8,952,339	\$ 2,951,245	\$ 3,293,576	\$ 3,113,258	\$ 2,937,099
City's net pension liability	\$ 1,837,664	\$ 2,133,737	\$ 1,709,080	\$ 1,716,545	\$ 1,862,879
Plan fiduciary net position as a percentage of the total pension liability	83%	58%	66%	64%	61%
Covered payroll	\$ 1,347,302	\$ 427,743	\$ 418,961	\$ 413,925	\$ 313,381
City's net pension liability as a percentage of covered payroll	136%	499%	408%	415%	594%

CITY OF OWOSSO

SCHEDULE OF CITY DEFINED BENEFIT PENSION CONTRIBUTIONS

<i>Fiscal Year Ended June 30,</i>	<i>Actuarially Determined Contribution</i>	<i>Employer Contributions</i>	<i>Contribution (Excess) Deficiency</i>	<i>Covered Payroll</i>	<i>ADC as Percentage of Covered Payroll</i>	<i>Employer Contributions as Percentage of Covered Payroll</i>
2016	\$ 81,621	\$ 81,621	\$ -	\$ 313,381	26.05%	26.0%
2017	128,079	128,079	-	413,925	30.94%	30.9%
2018	139,100	139,100	-	418,961	33.20%	33.2%
2019	140,293	140,293	-	427,743	32.80%	32.8%
2020	5,138,223	5,953,640	(815,417)	1,347,302	381.37%	441.9%
2021	846,081	1,350,393	(504,312)	3,262,120	25.94%	41.4%
2022	1,024,696	1,025,418	(722)	3,081,347	33.25%	33.3%
2023	1,029,996	1,534,773	(504,777)	3,151,094	32.69%	48.7%
2024	701,574	810,807	(109,233)	3,385,402	20.72%	24.0%
2025	809,598	811,854	(2,256)	3,433,737	23.58%	23.6%

Notes to Schedule

Valuation date

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, open and closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary increases	3.0% wage inflation with 0.00%-11.00% merit and longevity increases (3.75% for 2015 through 2019)
Investment rate of return	6.93%, net of investment and administrative expense including inflation
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 and fully generational MP-2019

CITY OF OWOSSO

GENERAL FUND BUDGETARY COMPARISON SCHEDULE Year Ended June 30, 2025

	<i><u>Budgeted Amounts</u></i>			<i><u>Variances with Final Budget Favorable (Unfavorable)</u></i>
	<i><u>Original</u></i>	<i><u>Final</u></i>	<i><u>Actual</u></i>	
Revenues:				
Property taxes	\$ 4,490,503	\$ 4,469,816	\$ 4,452,026	\$ (17,790)
Marijuana tax	237,851	235,148	235,148	-
Special assessments	-	44,301	44,301	-
Licenses and permits	74,400	74,680	72,543	(2,137)
Federal grants	273,570	691,312	53,216	(638,096)
State grants	2,605,246	2,632,263	2,649,507	17,244
Contributions from other units	140,475	140,475	88,381	(52,094)
Charges for services	2,342,805	2,586,932	2,465,538	(121,394)
Fines and forfeits	17,500	17,500	7,537	(9,963)
Interest and rents	52,280	363,671	399,436	35,765
Other revenue	75,000	281,086	102,549	(178,537)
Total revenues	<u>10,309,630</u>	<u>11,537,184</u>	<u>10,570,182</u>	<u>(967,002)</u>
Expenditures:				
Current				
General government				
Council	8,060	13,560	10,063	3,497
Manager	339,400	344,632	337,017	7,615
Finance	254,052	258,314	235,628	22,686
Clerk	254,983	262,448	218,074	44,374
Information technology	130,000	140,533	133,856	6,677
Treasurer	275,205	275,751	251,853	23,898
Assessor	222,748	228,511	211,894	16,617
General administration	448,621	456,013	372,292	83,721
Elections	79,829	77,300	72,068	5,232
Building and grounds	165,789	184,222	155,319	28,903
Attorney	164,600	169,600	149,128	20,472
Human resources	217,410	217,794	197,668	20,126
Total general government	<u>2,560,697</u>	<u>2,628,678</u>	<u>2,344,860</u>	<u>283,818</u>
Public safety				
Police	2,942,458	2,977,224	2,894,446	82,778
Fire	2,691,404	2,768,270	2,591,852	176,418
Building and safety	46,045	526	526	-
Total public safety	<u>5,679,907</u>	<u>5,746,020</u>	<u>5,486,824</u>	<u>259,196</u>
Public works				
Department of public works	376,287	348,816	318,437	30,379
Street lighting	198,145	226,236	226,236	-
Leaf and brush collection	313,011	338,435	299,299	39,136
Parking	36,025	37,613	32,220	5,393
Total public works	<u>923,468</u>	<u>951,100</u>	<u>876,192</u>	<u>74,908</u>

continued

CITY OF OWOSSO

GENERAL FUND BUDGETARY COMPARISON SCHEDULE, CONTINUED

Year Ended June 30, 2025

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Community and economic development				
Community development	37,222	233,729	66,908	166,821
Economic development	35,133	35,133	34,479	654
Total community and economic development	72,355	268,862	101,387	167,475
Recreation and culture				
Parks	369,923	426,647	379,629	47,018
Capital outlay				
General government				
Information technology	24,000	26,000	16,403	9,597
General administration	-	14,375	14,375	-
Building and grounds	670,000	707,521	74,182	633,339
Public safety				
Police	163,058	379,479	130,918	248,561
Fire	1,302,173	1,552,173	809,519	742,654
Public works				
Department of public works	620,000	605,835	605,835	-
Total capital outlay	2,779,231	3,285,383	1,651,232	1,634,151
Debt service				
Principal	84,000	86,000	86,000	-
Interest expense	43,822	43,822	17,191	26,631
Total debt service	127,822	129,822	103,191	26,631
Total expenditures	12,513,403	13,436,512	10,943,315	2,493,197
Excess (deficiency) of revenues over expenditures	(2,203,773)	(1,899,328)	(373,133)	1,526,195
Other financing sources (uses):				
Sale of capital assets	-	252,209	260,253	8,044
Proceeds from bond issuance	806,371	806,371	750,000	(56,371)
Insurance recoveries	88,000	33,225	43,186	9,961
Interfund transfers in	276,000	305,835	305,835	-
Interfund transfers out	(17,500)	(252,193)	(252,193)	-
Net other financing sources (uses)	1,152,871	1,145,447	1,107,081	(38,366)
Change in fund balance	(1,050,902)	(753,881)	733,948	1,487,829
Fund balance, beginning of year	8,622,704	8,622,704	8,622,704	-
Fund balance, end of year	\$ 7,571,802	\$ 7,868,823	\$ 9,356,652	\$ 1,487,829

CITY OF OWOSSO

MAJOR STREET FUND BUDGETARY COMPARISON SCHEDULE Year Ended June 30, 2025

	<i>Budgeted Amounts</i>			<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Special assessments	\$ -	\$ 185,160	\$ 185,160	\$ -
Federal grants	560,000	510,136	510,136	-
State grants	1,781,524	1,782,416	1,600,823	(181,593)
Charges for services	42,948	42,948	47,876	4,928
Interest and rents	10,000	225,000	235,202	10,202
Other revenue	-	3,486	3,486	-
Total revenues	<u>2,394,472</u>	<u>2,749,146</u>	<u>2,582,683</u>	<u>(166,463)</u>
Expenditures:				
Current				
Public works	747,472	726,488	660,648	65,840
Capital outlay	<u>2,122,000</u>	<u>2,161,489</u>	<u>1,833,866</u>	<u>327,623</u>
Total expenditures	<u>2,869,472</u>	<u>2,887,977</u>	<u>2,494,514</u>	<u>393,463</u>
Excess (deficiency) of revenues over expenditures	<u>(475,000)</u>	<u>(138,831)</u>	<u>88,169</u>	<u>227,000</u>
Other financing sources (uses):				
Interfund transfer out	<u>(350,000)</u>	<u>(350,000)</u>	<u>(350,000)</u>	<u>-</u>
Change in fund balance	(825,000)	(488,831)	(261,831)	227,000
Fund balance, beginning of year	<u>2,624,338</u>	<u>2,624,338</u>	<u>2,624,338</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,799,338</u>	<u>\$ 2,135,507</u>	<u>\$ 2,362,507</u>	<u>\$ 227,000</u>

SUPPLEMENTARY INFORMATION

CITY OF OWOSSO

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2025

	<i>Special Revenue Funds</i>			
	<i>Local Streets Fund</i>	<i>Park/ Recreation Sites Fund</i>	<i>Revolving Loan Fund</i>	<i>Building Inspection Fund</i>
Assets:				
Cash and cash equivalents	\$ 845,464	\$ (12,731)	\$ 565,602	\$ 50,533
Investments	491,557	24,586	331,099	274,039
Accounts receivable	-	-	-	9,797
Special assessments receivable	300,801	-	-	-
Loans receivable, net allowance	-	-	250,235	-
Due from other governments	90,783	-	-	-
Prepaid expenditures	-	-	-	-
Advance to component unit	-	-	19,382	-
Total assets	<u>\$ 1,728,605</u>	<u>\$ 11,855</u>	<u>\$ 1,166,318</u>	<u>\$ 334,369</u>
Liabilities:				
Accounts payable	\$ 76,053	\$ 1,028	\$ 25,000	\$ 4,837
Accrued wages payable	2,572	-	-	3,426
Unearned revenue	-	-	-	21,735
Total liabilities	<u>78,625</u>	<u>1,028</u>	<u>25,000</u>	<u>29,998</u>
Deferred inflows of resources:				
Unavailable revenues	<u>300,801</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	269,617	-
Restricted	<u>1,349,179</u>	<u>10,827</u>	<u>871,701</u>	<u>304,371</u>
Total fund balances	<u>1,349,179</u>	<u>10,827</u>	<u>1,141,318</u>	<u>304,371</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,728,605</u>	<u>\$ 11,855</u>	<u>\$ 1,166,318</u>	<u>\$ 334,369</u>

continued

CITY OF OWOSSO

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, CONTINUED

June 30, 2025

	<i>Special Revenue Funds</i>			
	<i>Housing and Redevelopment Fund</i>	<i>Historical Fund</i>	<i>Opioid Settlement Fund</i>	<i>ARPA Fund</i>
Assets:				
Cash and cash equivalents	\$ (54,294)	\$ (128,457)	\$ 36,018	\$ -
Investments	42,650	301,238	27,925	-
Accounts receivable	-	-	-	-
Special assessments receivable	-	-	-	-
Loans receivable, net allowance	-	-	-	-
Due from other governments	101,002	-	-	-
Prepaid expenditures	-	960	-	-
Advance to component unit	-	-	-	-
Total assets	<u>\$ 89,358</u>	<u>\$ 173,741</u>	<u>\$ 63,943</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	\$ 85,684	\$ 513	\$ -	\$ -
Accrued wages payable	-	553	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>85,684</u>	<u>1,066</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	960	-	-
Restricted	<u>3,674</u>	<u>171,715</u>	<u>63,943</u>	<u>-</u>
Total fund balances	<u>3,674</u>	<u>172,675</u>	<u>63,943</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 89,358</u>	<u>\$ 173,741</u>	<u>\$ 63,943</u>	<u>\$ -</u>

continued

CITY OF OWOSSO

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET, CONTINUED

June 30, 2025

	<i>Debt Service Fund</i>	
	<i>General Obligation Bonds Fund</i>	<i>Total</i>
Assets:		
Cash and cash equivalents	\$ 35,276	\$ 1,337,411
Investments	-	1,493,094
Accounts receivable	-	9,797
Special assessments receivable	-	300,801
Loans receivable, net allowance	-	250,235
Due from other governments	-	191,785
Prepaid expenditures	-	960
Advance to component unit	-	19,382
	<u>35,276</u>	<u>3,603,465</u>
Total assets	<u>\$ 35,276</u>	<u>\$ 3,603,465</u>
Liabilities:		
Accounts payable	\$ -	\$ 193,115
Accrued wages payable	-	6,551
Unearned revenue	-	21,735
	<u>-</u>	<u>221,401</u>
Total liabilities	<u>-</u>	<u>221,401</u>
Deferred inflows of resources:		
Unavailable revenues	-	300,801
	<u>-</u>	<u>300,801</u>
Fund balances:		
Nonspendable	-	270,577
Restricted	35,276	2,810,686
	<u>35,276</u>	<u>3,081,263</u>
Total fund balances	<u>35,276</u>	<u>3,081,263</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 35,276</u>	<u>\$ 3,603,465</u>

CITY OF OWOSSO

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2025

	<i>Special Revenue Funds</i>			
	<i>Local Streets Fund</i>	<i>Park/ Recreation Sites Fund</i>	<i>Revolving Loan Fund</i>	<i>Building Inspection Fund</i>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	77,195	-	-	-
Licenses and permits	-	-	-	280,407
Federal grants	225,283	-	-	-
State grants	614,950	-	-	-
Charges for services	-	-	29	-
Investment income and rentals	44,062	1,604	27,057	11,860
Other revenue	-	13,678	10,074	-
Total revenues	961,490	15,282	37,160	292,267
Expenditures:				
<i>Current:</i>				
Public safety	-	-	-	226,129
Public works	444,978	-	-	-
Health and welfare	-	-	-	-
Community and economic development	-	-	26,503	-
Recreation and culture	-	13,574	-	-
Capital outlay	754,859	15,000	-	-
Debt service				
Principal	-	-	-	-
Interest and charges	-	-	-	-
Total expenditures	1,199,837	28,574	26,503	226,129
Excess (deficiency) of revenues over expenditures	(238,347)	(13,292)	10,657	66,138
Other financing sources (uses):				
Interfund transfers in	350,000	-	-	-
Changes in fund balances	111,653	(13,292)	10,657	66,138
Fund balances, beginning of year	1,237,526	24,119	1,130,661	238,233
Fund balances, end of year	\$ 1,349,179	\$ 10,827	\$ 1,141,318	\$ 304,371

continued

CITY OF OWOSSO

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended June 30, 2025

	<i>Special Revenue Funds</i>			
	<i>Housing and Redevelopment Fund</i>	<i>Historical Fund</i>	<i>Opioid Settlement Fund</i>	<i>ARPA Fund</i>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Federal grants	243,058	-	-	372,731
State grants	121,494	-	-	-
Charges for services	-	4,011	-	-
Investment income and rentals	2,357	5,839	1,545	7,407
Other revenue	157,339	25,248	12,621	-
Total revenues	524,248	35,098	14,166	380,138
Expenditures:				
<i>Current:</i>				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	508,337	-	-	-
Community and economic development	-	-	-	-
Recreation and culture	-	173,717	-	-
Capital outlay	15,000	-	-	-
Debt service				
Principal	-	-	-	-
Interest and charges	-	-	-	-
Total expenditures	523,337	173,717	-	-
Excess (deficiency) of revenues over expenditures	911	(138,619)	14,166	380,138
Other financing sources (uses):				
Interfund transfers in	-	252,193	-	-
Interfund transfers out	-	-	-	(488,441)
Net other financing sources (uses)	-	252,193	-	(488,441)
Changes in fund balances	911	113,574	14,166	(108,303)
Fund balances, beginning of year	2,763	59,101	49,777	108,303
Fund balances, end of year	\$ 3,674	\$ 172,675	\$ 63,943	\$ -

continued

CITY OF OWOSSO

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, CONTINUED

Year Ended June 30, 2025

	<i>Debt Service Fund</i>	
	<i>General Obligation Bonds Fund</i>	<i>Total</i>
Revenues:		
Property taxes	\$ 716,226	\$ 716,226
Special assessments	-	77,195
Licenses and permits	-	280,407
Federal grants	-	841,072
State grants	50,232	786,676
Charges for services	-	4,040
Investment income and rentals	459	102,190
Other revenue	-	218,960
Total revenues	<u>766,917</u>	<u>3,026,766</u>
Expenditures:		
<i>Current:</i>		
Public safety	-	226,129
Public works	-	444,978
Health and welfare	-	508,337
Community and economic development	-	26,503
Recreation and culture	-	187,291
Capital outlay	-	784,859
Debt service		
Principal	500,000	500,000
Interest and charges	<u>273,150</u>	<u>273,150</u>
Total expenditures	<u>773,150</u>	<u>2,951,247</u>
Excess (deficiency) of revenues over expenditures	<u>(6,233)</u>	<u>75,519</u>
Other financing sources (uses):		
Interfund transfers in	-	602,193
Interfund transfers out	-	<u>(488,441)</u>
Net other financing sources (uses)	<u>-</u>	<u>113,752</u>
Changes in fund balances	(6,233)	189,271
Fund balances, beginning of year	<u>41,509</u>	<u>2,891,992</u>
Fund balances, end of year	<u>\$ 35,276</u>	<u>\$ 3,081,263</u>

CITY OF OWOSSO

COMPONENT UNITS COMBINING BALANCE SHEET

June 30, 2025

	<i>Brownfield Development Authority</i>	<i>Downtown Development Authority</i>	<i>Total</i>
Assets:			
Cash and cash equivalents	\$ 89,444	\$ 6,048	\$ 95,492
Investments	66,314	248,394	314,708
Loan receivable	<u>-</u>	<u>23,335</u>	<u>23,335</u>
Total assets	<u>\$ 155,758</u>	<u>\$ 277,777</u>	<u>\$ 433,535</u>
Liabilities and Fund Balances:			
<i>Liabilities:</i>			
Accounts payable	\$ -	\$ 5,474	\$ 5,474
Accrued wages payable	-	1,848	1,848
Advances from primary government	<u>1,234,063</u>	<u>-</u>	<u>1,234,063</u>
Total liabilities	<u>1,234,063</u>	<u>7,322</u>	<u>1,241,385</u>
<i>Fund Balances:</i>			
Unassigned (deficit)	<u>(1,078,305)</u>	<u>270,455</u>	<u>(807,850)</u>
Total liabilities and fund balances	<u>\$ 155,758</u>	<u>\$ 277,777</u>	<u>\$ 433,535</u>

CITY OF OWOSSO

RECONCILIATION OF FUND BALANCES OF COMPONENT UNITS TO NET POSITION OF COMPONENT UNITS

June 30, 2025

Fund balances of component units	\$ (807,850)
-----------------------------------------	--------------

Net position reported for component units in the statement of net position is different because:

Capital assets used in component units are not financial resources and therefore are not reported in the component units fund statements.

Capital assets being depreciated, net	<u>13,917</u>
	<u>\$ (793,933)</u>

CITY OF OWOSSO

COMPONENT UNITS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended June 30, 2025

	<i>Brownfield Development Authority</i>	<i>Downtown Development Authority</i>	<i>Total</i>
Revenues:			
Property taxes	\$ 487,481	\$ 272,585	\$ 760,066
State grants	7,257	47,311	54,568
Charges for services	-	26,664	26,664
Investment income	2,853	8,833	11,686
Other revenue	185,878	36,000	221,878
Total revenues	<u>683,469</u>	<u>391,393</u>	<u>1,074,862</u>
Expenditures:			
Current			
Community and economic development	386,034	274,300	660,334
Debt service			
Principal	185,878	-	185,878
Interest and fees	27,045	-	27,045
Total expenditures	<u>598,957</u>	<u>274,300</u>	<u>873,257</u>
Excess (deficiency) of revenues over expenditures	84,512	117,093	201,605
Other financing sources (uses):			
Transfer from component unit	33,964	-	33,964
Transfer to component unit	-	(33,964)	(33,964)
Net other financing sources (uses)	<u>33,964</u>	<u>(33,964)</u>	<u>-</u>
Changes in fund balances	118,476	83,129	201,605
Fund balances (deficit), beginning of year	<u>(1,196,781)</u>	<u>187,326</u>	<u>(1,009,455)</u>
Fund balances (deficit), end of year	<u>\$ (1,078,305)</u>	<u>\$ 270,455</u>	<u>\$ (807,850)</u>

CITY OF OWOSSO

RECONCILIATION OF CHANGES IN FUND BALANCES OF COMPONENT UNITS TO CHANGES IN NET POSITION OF COMPONENT UNITS

Year Ended June 30, 2025

Changes in fund balances of component units	\$ 201,605
Change in net position reported for governmental activities in the statement of activities is different because:	
Component units report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	-
Less depreciation expense	(4,282)
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 the component units.	
Change in long-term debt	185,878
Change in accrued interest	<u>697</u>
Change in net position of component units	<u><u>\$ 383,898</u></u>

CITY OF OWOSSO

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2025

UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A

Issue dated June 23, 2021 in the amount of	\$	9,110,000
Less: Principal paid in prior years	(1,480,000)	
Principal paid in current year	<u>(500,000)</u>	
Balance payable at June 30, 2025	\$	<u>7,130,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due November 1,</i>	<i>Principal due May 1,</i>	<i>Interest due May 1,</i>	<i>Total Annual Requirement</i>
2026	4.00%	\$ 126,325	\$ 515,000	\$ 126,325	\$ 767,650
2027	4.00%	116,025	535,000	116,025	767,050
2028	4.00%	105,325	545,000	105,325	755,650
2029	4.00%	94,425	560,000	94,425	748,850
2030	4.00%	83,225	575,000	83,225	741,450
2031	4.00%	71,725	595,000	71,725	738,450
2032	4.00%	59,825	550,000	59,825	669,650
2033	3.00%	48,825	555,000	48,825	652,650
2034	3.00%	40,500	560,000	40,500	641,000
2035	3.00%	32,100	510,000	32,100	574,200
2036	3.00%	24,450	530,000	24,450	578,900
2037	3.00%	16,500	530,000	16,500	563,000
2038	3.00%	8,550	285,000	8,550	302,100
2039	3.00%	<u>4,275</u>	<u>285,000</u>	<u>4,275</u>	<u>293,550</u>
		<u>\$ 832,075</u>	<u>\$ 7,130,000</u>	<u>\$ 832,075</u>	<u>\$ 8,794,150</u>

CITY OF OWOSSO

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2025

GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS, SERIES 2021B

Issue dated June 23, 2021 in the amount of	\$	475,000
Less: Principal paid in prior years		(155,000)
Principal paid in current year		<u>(55,000)</u>
Balance payable at June 30, 2025	\$	<u>265,000</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Interest due</u></i> <i><u>November 1,</u></i>	<i><u>Principal due</u></i> <i><u>May 1,</u></i>	<i><u>Interest due</u></i> <i><u>May 1,</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2026	4.00%	\$ 5,300	\$ 60,000	\$ 5,300	\$ 70,600
2027	4.00%	4,100	65,000	4,100	73,200
2028	4.00%	2,800	70,000	2,800	75,600
2029	4.00%	<u>1,400</u>	<u>70,000</u>	<u>1,400</u>	<u>72,800</u>
		<u>\$ 13,600</u>	<u>\$ 265,000</u>	<u>\$ 13,600</u>	<u>\$ 292,200</u>

CITY OF OWOSSO

GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

June 30, 2025

2023 GENERAL OBLIGATION BOND

Issue dated September 25, 2023 in the amount of	\$	842,000
Less: Principal paid in prior years		(29,000)
Principal paid in current year		<u>(31,000)</u>
Balance payable at June 30, 2025	\$	<u>782,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due October 1,</i>	<i>Principal due April 1,</i>	<i>Interest due April 1,</i>	<i>Total Annual Requirement</i>
2026	3.625%	\$ 14,174	\$ 32,000	\$ 14,174	\$ 60,348
2027	3.625%	13,594	33,000	13,594	60,188
2028	3.625%	12,996	34,000	12,996	59,992
2029	3.625%	12,379	35,000	12,379	59,758
2030	3.625%	11,745	37,000	11,745	60,490
2031	3.625%	11,074	38,000	11,074	60,148
2032	3.625%	10,386	39,000	10,386	59,772
2033	3.625%	9,679	41,000	9,679	60,358
2034	3.625%	8,936	42,000	8,936	59,872
2035	3.625%	8,174	44,000	8,174	60,348
2036	3.625%	7,377	45,000	7,377	59,754
2037	3.625%	6,561	47,000	6,561	60,122
2038	3.625%	5,709	49,000	5,709	60,418
2039	3.625%	4,821	50,000	4,821	59,642
2040	3.625%	3,915	52,000	3,915	59,830
2041	3.625%	2,973	54,000	2,973	59,946
2042	3.625%	1,994	56,000	1,994	59,988
2043	3.625%	<u>979</u>	<u>54,000</u>	<u>979</u>	<u>55,958</u>
		<u>\$ 147,466</u>	<u>\$ 782,000</u>	<u>\$ 147,466</u>	<u>\$ 1,076,932</u>

CITY OF OWOSSO

BUSINESS-TYPE ACTIVITIES **SCHEDULE OF INDEBTEDNESS**

June 30, 2025

GENERAL OBLIGATION LIMITED TAX SEWER SYSTEM IMPROVEMENT BOND, SERIES 2008

Issue dated June 23, 2008 in the amount of	\$	801,786
Less: Principal paid in prior years		(595,000)
Principal paid in current year		<u>(50,000)</u>
Balance payable at June 30, 2025	\$	<u>156,786</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Interest due</u></i> <i><u>October 1,</u></i>	<i><u>Principal due</u></i> <i><u>April 1,</u></i>	<i><u>Interest due</u></i> <i><u>April 1,</u></i>	<i><u>Total</u></i> <i><u>Annual</u></i> <i><u>Requirement</u></i>
2026	2.50%	\$ 1,960	\$ 50,000	\$ 1,960	\$ 53,920
2027	2.50%	1,335	55,000	1,335	57,670
2028	2.50%	<u>647</u>	<u>51,786</u>	<u>647</u>	<u>53,080</u>
		<u>\$ 3,942</u>	<u>\$ 156,786</u>	<u>\$ 3,942</u>	<u>\$ 164,670</u>

CITY OF OWOSSO

BUSINESS-TYPE ACTIVITIES **SCHEDULE OF INDEBTEDNESS**

June 30, 2025

SEWER SYSTEM REVENUE BOND, SERIES 2020

Issue dated June 12, 2020 in the amount of	\$	1,141,664
Less: Principal paid in prior years		(160,000)
Principal paid in current year		<u>(50,000)</u>
Balance payable at June 30, 2025	\$	<u>931,664</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 1,</i>	<i>Interest due October 1,</i>	<i>Interest due April 1,</i>	<i>Total Annual Requirement</i>
2026	2.00%	\$ 50,000	\$ 9,317	\$ 8,817	\$ 68,134
2027	2.00%	50,000	8,817	8,317	67,134
2028	2.00%	50,000	8,317	7,817	66,134
2029	2.00%	50,000	7,817	7,317	65,134
2030	2.00%	55,000	7,317	6,767	69,084
2031	2.00%	55,000	6,767	6,217	67,984
2032	2.00%	55,000	6,217	5,667	66,884
2033	2.00%	55,000	5,667	5,117	65,784
2034	2.00%	55,000	5,117	4,567	64,684
2035	2.00%	60,000	4,567	3,967	68,534
2036	2.00%	60,000	3,967	3,367	67,334
2037	2.00%	65,000	3,367	2,717	71,084
2038	2.00%	65,000	2,717	2,067	69,784
2039	2.00%	65,000	2,067	1,417	68,484
2040	2.00%	70,000	1,417	717	72,134
2041	2.00%	71,664	717	-	72,381
		<u>\$ 931,664</u>	<u>\$ 84,172</u>	<u>\$ 74,855</u>	<u>\$ 1,090,691</u>

CITY OF OWOSSO

BUSINESS-TYPE ACTIVITIES **SCHEDULE OF INDEBTEDNESS**

June 30, 2025

2017 INSTALLMENT PURCHASE AGREEMENT

Issue dated May 15, 2017 in the amount of	\$	1,900,000
Less: Principal paid in prior years		(946,334)
Principal paid in current year		<u>(125,876)</u>
Balance payable at June 30, 2025	\$	<u>827,790</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due May 15,</i>	<i>Interest due May 15,</i>	<i>Total Annual Requirement</i>
2026	2.50%	\$ 129,181	\$ 21,738	\$ 150,919
2027	2.50%	132,574	18,345	150,919
2028	2.50%	136,055	14,864	150,919
2029	2.50%	139,628	11,291	150,919
2030	2.50%	143,295	7,624	150,919
2031	2.50%	<u>147,057</u>	<u>3,862</u>	<u>150,919</u>
		<u>\$ 827,790</u>	<u>\$ 77,724</u>	<u>\$ 905,514</u>

CITY OF OWOSSO

BUSINESS-TYPE ACTIVITIES **SCHEDULE OF INDEBTEDNESS, CONTINUED**

June 30, 2025

WATER SUPPLY SYSTEM REVENUE BOND, SERIES 2020

Issue dated March 27, 2020 in the amount of	\$	2,971,023
Less: Principal paid in prior years		(391,000)
Principal paid in current year		<u>(126,000)</u>
Balance payable at June 30, 2025	\$	<u>2,454,023</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 1,</i>	<i>Interest due October 1,</i>	<i>Interest due April 1,</i>	<i>Total Annual Requirement</i>
2026	2.000%	\$ 131,000	\$ 24,540	\$ 23,230	\$ 178,770
2027	2.000%	131,000	23,230	21,920	176,150
2028	2.000%	136,000	21,920	20,560	178,480
2029	2.000%	136,000	20,560	19,200	175,760
2030	2.000%	141,000	19,200	17,790	177,990
2031	2.000%	146,000	17,790	16,330	180,120
2032	2.000%	146,000	16,330	14,870	177,200
2033	2.000%	151,000	14,870	13,360	179,230
2034	2.000%	156,000	13,360	11,800	181,160
2035	2.000%	156,000	11,800	10,240	178,040
2036	2.000%	161,000	10,240	8,630	179,870
2037	2.000%	166,000	8,630	6,970	181,600
2038	2.000%	166,000	6,970	5,310	178,280
2039	2.000%	171,000	5,310	3,600	179,910
2040	2.000%	176,000	3,600	1,840	181,440
2041	2.000%	184,023	1,840	-	185,863
		<u>\$ 2,454,023</u>	<u>\$ 220,190</u>	<u>\$ 195,650</u>	<u>\$ 2,869,863</u>

CITY OF OWOSSO

BUSINESS-TYPE ACTIVITIES **SCHEDULE OF INDEBTEDNESS**

June 30, 2025

WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 2022B

Issue dated May 6, 2022 in the amount of	\$	941,500
Less:		
Loan principal forgiven		(225,960)
Principal paid in prior years		(60,000)
Principal paid in current year		<u>(30,000)</u>
Balance payable at June 30, 2025	\$	<u>625,540</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due October 1,</i>	<i>Principal due April 1,</i>	<i>Interest due April 1,</i>	<i>Total Annual Requirement</i>
2026	1.875%	\$ 5,864	\$ 30,000	\$ 5,864	\$ 41,728
2027	1.875%	5,583	30,000	5,583	41,166
2028	1.875%	5,302	35,000	5,302	45,604
2029	1.875%	4,974	35,000	4,974	44,948
2030	1.875%	4,646	35,000	4,646	44,292
2031	1.875%	4,318	35,000	4,318	43,636
2032	1.875%	3,989	35,000	3,989	42,978
2033	1.875%	3,661	35,000	3,661	42,322
2034	1.875%	3,333	35,000	3,333	41,666
2035	1.875%	3,005	40,000	3,005	46,010
2036	1.875%	2,630	40,000	2,630	45,260
2037	1.875%	2,255	40,000	2,255	44,510
2038	1.875%	1,880	40,000	1,880	43,760
2039	1.875%	1,505	40,000	1,505	43,010
2040	1.875%	1,130	40,000	1,130	42,260
2041	1.875%	755	40,000	755	41,510
2042	1.875%	380	40,540	380	41,300
		<u>\$ 55,210</u>	<u>\$ 625,540</u>	<u>\$ 55,210</u>	<u>\$ 735,960</u>

CITY OF OWOSSO

BUSINESS-TYPE ACTIVITIES **SCHEDULE OF INDEBTEDNESS, CONTINUED**

June 30, 2025

WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 2023

Issue dated March 24, 2023 in the amount of	\$	3,033,750
Less: Principal paid in prior years		-
Principal paid in current year		<u>(123,750)</u>
Balance payable at June 30, 2025	\$	<u>2,910,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due October 1,</i>	<i>Principal due April 1,</i>	<i>Interest due April 1,</i>	<i>Total Annual Requirement</i>
2026	1.875%	\$ 27,281	\$ 130,000	\$ 27,281	\$ 184,562
2027	1.875%	26,063	130,000	26,063	182,126
2028	1.875%	24,844	135,000	24,844	184,688
2029	1.875%	23,578	135,000	23,578	182,156
2030	1.875%	22,313	140,000	22,313	184,626
2031	1.875%	21,000	140,000	21,000	182,000
2032	1.875%	19,688	145,000	19,688	184,376
2033	1.875%	18,328	145,000	18,328	181,656
2034	1.875%	16,969	150,000	16,969	183,938
2035	1.875%	15,563	155,000	15,563	186,126
2036	1.875%	14,109	155,000	14,109	183,218
2037	1.875%	12,656	160,000	12,656	185,312
2038	1.875%	11,156	160,000	11,156	182,312
2039	1.875%	9,656	165,000	9,656	184,312
2040	1.875%	8,109	165,000	8,109	181,218
2041	1.875%	6,563	170,000	6,563	183,126
2042	1.875%	4,969	175,000	4,969	184,938
2043	1.875%	3,328	175,000	3,328	181,656
2044	1.875%	<u>1,688</u>	<u>180,000</u>	<u>1,688</u>	<u>183,376</u>
		<u>\$ 287,861</u>	<u>\$ 2,910,000</u>	<u>\$ 287,861</u>	<u>\$ 3,485,722</u>

CITY OF OWOSSO

BUSINESS-TYPE ACTIVITIES **SCHEDULE OF INDEBTEDNESS, CONTINUED**

June 30, 2025

WASTEWATER TREATMENT SYSTEM REVENUE BONDS, SERIES 2020

Issue dated June 12, 2020 in the amount of	\$	2,145,000
Less: Principal paid in prior years		(270,000)
Principal paid in current year		<u>(95,000)</u>
Balance payable at June 30, 2025	\$	<u>1,780,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due October 1,</i>	<i>Interest due October 1,</i>	<i>Interest due April 1,</i>	<i>Total Annual Requirement</i>
2026	2.000%	\$ 95,000	\$ 17,800	\$ 16,850	\$ 129,650
2027	2.000%	95,000	16,850	15,900	127,750
2028	2.000%	100,000	15,900	14,900	130,800
2029	2.000%	100,000	14,900	13,900	128,800
2030	2.000%	105,000	13,900	12,850	131,750
2031	2.000%	105,000	12,850	11,800	129,650
2032	2.000%	110,000	11,800	10,700	132,500
2033	2.000%	110,000	10,700	9,600	130,300
2034	2.000%	110,000	9,600	8,500	128,100
2035	2.000%	115,000	8,500	7,350	130,850
2036	2.000%	115,000	7,350	6,200	128,550
2037	2.000%	120,000	6,200	5,000	131,200
2038	2.000%	120,000	5,000	3,800	128,800
2039	2.000%	125,000	3,800	2,550	131,350
2040	2.000%	125,000	2,550	1,300	128,850
2041	2.000%	130,000	1,300	-	131,300
		<u>\$ 1,780,000</u>	<u>\$ 159,000</u>	<u>\$ 141,200</u>	<u>\$ 2,080,200</u>

CITY OF OWOSSO

BUSINESS-TYPE ACTIVITIES **SCHEDULE OF INDEBTEDNESS**

June 30, 2025

WASTEWATER TREATMENT SYSTEM REVENUE BONDS, SERIES 2022

Issue dated March 25, 2022 in the amount of	\$	4,885,000
Less: Principal paid in prior years		(130,000)
Principal paid in current year		<u>(130,000)</u>
Balance payable at June 30, 2025	\$	<u>4,625,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due October 1,</i>	<i>Principal due April 1,</i>	<i>Interest due April 1,</i>	<i>Total Annual Requirement</i>
2026	2.125%	\$ 49,141	\$ 135,000	\$ 49,141	\$ 233,282
2027	2.125%	47,706	140,000	47,706	235,412
2028	2.125%	46,219	140,000	46,219	232,438
2029	2.125%	44,731	145,000	44,731	234,462
2030	2.125%	43,191	145,000	43,191	231,382
2031	2.125%	41,650	150,000	41,650	233,300
2032	2.125%	40,056	155,000	40,056	235,112
2033	2.125%	38,409	155,000	38,409	231,818
2034	2.125%	36,763	160,000	36,763	233,526
2035	2.125%	35,063	165,000	35,063	235,126
2036	2.125%	33,309	165,000	33,309	231,618
2037	2.125%	31,556	170,000	31,556	233,112
2038	2.125%	29,750	175,000	29,750	234,500
2039	2.125%	27,891	175,000	27,891	230,782
2040	2.125%	26,031	180,000	26,031	232,062
2041	2.125%	24,119	185,000	24,119	233,238
2042	2.125%	22,153	190,000	22,153	234,306
2043	2.125%	20,134	195,000	20,134	235,268
2044	2.125%	18,063	195,000	18,063	231,126
2045	2.125%	15,991	200,000	15,991	231,982
2046	2.125%	13,866	205,000	13,866	232,732
2047	2.125%	11,688	210,000	11,688	233,376
2048	2.125%	9,456	215,000	9,456	233,912
2049	2.125%	7,172	220,000	7,172	234,344
2050	2.125%	4,834	225,000	4,834	234,668
2051	2.125%	<u>2,444</u>	<u>230,000</u>	<u>2,444</u>	<u>234,888</u>
		<u>\$ 721,386</u>	<u>\$ 4,625,000</u>	<u>\$ 721,386</u>	<u>\$ 6,067,772</u>

CITY OF OWOSSO

COMPONENT UNIT – BROWNFIELD REDEVELOPMENT AUTHORITY

SCHEDULE OF INDEBTEDNESS

June 30, 2025

EGLE - BROWNFIELD REDEVELOPMENT LOAN

Loan dated March 31, 2016 in the amount of	\$	287,969
Less:		
Principal paid in prior years		(102,091)
Principal paid in current year		<u>(185,878)</u>
Balance payable at June 30, 2025	\$	<u><u>-</u></u>



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

To the City Council
City of Owosso, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Owosso, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Owosso's basic financial statements, and have issued our report thereon dated December 8, 2025.

Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

To the City Council
City of Owosso, Michigan

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berthiaume & Co.

December 8, 2025
Saginaw, Michigan