



**CITY OF OWOSSO  
SHIAWASSEE COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2021**

# TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	5
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	15
Statement of Activities	16
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances with the Statement of Activities	20
<b>Proprietary Funds</b>	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23
<b>Fiduciary Funds</b>	
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
<b>Component Units</b>	
Combining Statement of Net Position	27
Combining Statement of Activities	28
<b>Notes to the Financial Statements</b>	30
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	61
Employee's Retirement System Single Employer Pension Plan:	
Schedule of Changes in Net Pension Liability and Related Ratios	62
Schedule of Contributions	63
MERS Agent Multiple-Employer Defined Benefit Pension Plan:	
Schedule of Changes in Net Pension Liability and Related Ratios	64
Schedule of Contributions	65
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<b>Governmental Funds</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	71
<b>Component Units</b>	
Brownfield Redevelopment Authority Component Unit:	
Governmental Fund Balance Sheet / Statement of Net Position	75
Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balance / Statement of Activities	76

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Owosso  
Owosso, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, as of June 30, 2021, 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.

## **Change in Accounting Principle**

As stated in Note 16 to the basic financial statements, the City adopted **GASB Statement No. 84 *Fiduciary Activities*** in the fiscal year June 30, 2021, which represents a change in its policy for reporting fiduciary activities. Beginning net position of the fiduciary fund was not restated. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and the component unit financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the component unit financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the component unit financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Gabridge & Company, PLC  
Grand Rapids, Michigan  
December 29, 2021

## **Management's Discussion and Analysis**

**City of Owosso**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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

**Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$67,877,445 (net position).
- The total net position for the City is \$67,877,445. Of this amount, \$7,004,492, or 10.3%, is unrestricted.
- Combined program and general revenues for the City's activities amounted to \$21,856,637 while expenses amounted to \$19,741,468, causing the net position to increase by \$2,115,169 from the prior fiscal year.
- The combined fund balance at year end for the City's governmental funds was \$13,398,226. This was an increase of \$41,069 from the prior fiscal year.
- General fund revenues and other financing sources exceeded expenditures and other financing uses by \$799,335, causing the general fund's fund balance to increase accordingly.

**Overview of the Financial Statements**

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

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

The *statement of net position* presents financial information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the residual reported as net position. Over time,

increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

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

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



## Government-wide Financial Analysis

As mentioned earlier, net position provides useful benchmarks in determining overall financial position. The City of Owosso's combined net position was \$67,877,445.

### City of Owosso's Net Position

ASSETS	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<i>Current Assets</i>						
Cash and Investments	\$ 13,547,116	\$ 13,614,657	\$ 3,573,200	\$ 3,005,021	\$ 17,120,316	\$ 16,619,678
Receivables, net	2,360,794	1,835,730	1,647,001	1,618,035	4,007,795	3,453,765
Due from Other Units of Government	694,463	510,071	1,050,608	862,555	1,745,071	1,372,626
Inventories	69,404	71,832	84,926	72,124	154,330	143,956
Other Assets	237,647	478,575	-	-	237,647	478,575
<b>Total Current Assets</b>	<b>16,909,424</b>	<b>16,510,865</b>	<b>6,355,735</b>	<b>5,557,735</b>	<b>23,265,159</b>	<b>22,068,600</b>
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	1,417,930	1,503,450	1,417,930	1,503,450
Advance to Component Units	1,016,494	1,079,311	612,280	650,131	1,628,774	1,729,442
Capital Assets, Net	45,910,801	44,261,736	24,658,650	19,370,685	70,569,451	63,632,421
<b>Total Assets</b>	<b>63,836,719</b>	<b>61,851,912</b>	<b>33,044,595</b>	<b>27,082,001</b>	<b>96,881,314</b>	<b>88,933,913</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Charges on Bond Refunding	86,103	-	-	-	86,103	-
Pension Related	1,224,234	1,642,763	365,679	609,117	1,589,913	2,251,880
<b>Total Deferred Outflows of Resources</b>	<b>1,310,337</b>	<b>1,642,763</b>	<b>365,679</b>	<b>609,117</b>	<b>1,676,016</b>	<b>2,251,880</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	200,442	679,176	1,050,115	522,613	1,250,557	1,201,789
Accrued Wages	644,875	329,425	86,943	62,764	731,818	392,189
Accrued Interest	60,360	-	34,159	14,204	94,519	14,204
Customer Deposits	5,031	-	186,965	171,165	191,996	171,165
Current Portion of Compensated Absences	79,037	80,655	22,606	20,883	101,643	101,538
Current Portion of Long-term Debt	560,000	580,000	911,458	598,478	1,471,458	1,178,478
Internal Balances	-	(5,630)	-	5,630	-	-
<b>Total Current Liabilities</b>	<b>1,549,745</b>	<b>1,663,626</b>	<b>2,292,246</b>	<b>1,395,737</b>	<b>3,841,991</b>	<b>3,059,363</b>
<i>Noncurrent Liabilities</i>						
Compensated Absences	316,151	322,619	90,422	83,532	406,573	406,151
Long-term Debt	10,419,056	10,660,000	7,587,730	3,506,636	18,006,786	14,166,636
Net Pension Liability	3,370,893	4,496,624	1,006,891	1,290,465	4,377,784	5,787,089
<b>Total Liabilities</b>	<b>15,655,845</b>	<b>17,142,869</b>	<b>10,977,289</b>	<b>6,276,370</b>	<b>26,633,134</b>	<b>23,419,239</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension Related	3,115,998	1,349,385	930,753	654,893	4,046,751	2,004,278
<b>NET POSITION</b>						
Net Investment in Capital Assets	36,191,691	35,127,615	16,159,462	15,265,571	52,351,153	50,393,186
Restricted	7,103,870	7,104,564	1,417,930	1,199,414	8,521,800	8,303,978
Unrestricted	3,079,652	2,770,242	3,924,840	4,294,870	7,004,492	7,065,112
<b>Total Net Position</b>	<b>\$ 46,375,213</b>	<b>\$ 45,002,421</b>	<b>\$ 21,502,232</b>	<b>\$ 20,759,855</b>	<b>\$ 67,877,445</b>	<b>\$ 65,762,276</b>

Net position is comprised of three parts: net investment in capital assets, restricted net position, and unrestricted net position. The largest portion, \$52,351,153 or 77.2%, is net investment in capital assets which is calculated of the City's investments in land and improvements, buildings and improvements, machinery and equipment, and infrastructure less related long-term debt. It cannot be readily liquidated or available for future spending. The second portion, \$8,521,800 or 12.6%, is restricted net position, which is subject to external restrictions on how it may be used. The last portion, \$7,004,492, or 10.2%, is unrestricted net position which can be used for ongoing obligations or new activities.

## **Governmental Activities**

Cash and investments decreased by \$67,541 primarily a result of significant capital asset purchases during the year along with a significant decrease in accounts payable at year-end caused by the City aggressively paying down year-end invoices. Net receivables increased by \$525,064 primarily due to the increase in special assessments related to street work throughout the year. Due from other units of governments increased by \$184,392 as the City received additional state and federal funding restricted for COVID-19-related uses. During the current year, the City dissolved the City of Owosso Employees' Retirement Plan, a single employer defined benefit pension plan, and transferred all the assets and liabilities into the City's Municipal Employees Retirement System (MERS) defined benefit pension plan. This along with greater return on investments within plan assets resulted in a decrease in net pension liability and pension-related deferred outflows of resources by \$1,125,731 and \$418,529, respectively, within governmental activities and an increase in pension-related deferred inflows of resources by \$1,766,613.

## **Business-type Activities**

Cash and investments increased by \$568,179 as the City's water supply system fund had a significant increase in net cash provided by operating activities. Due from other units of governments increased by \$188,053 as the City received additional state and federal funding restricted for COVID-19-related uses. The business-type funds did have significant capital asset purchases throughout the year; however, it was offset by issuances and drawdowns on existing long-term debt. Accounts payable increased by \$527,502 as the City had greater amounts of capital asset related invoices at year-end. During the current year, the City dissolved the City of Owosso Employees' Retirement Plan, a single employer defined benefit pension plan, and transferred all the assets and liabilities into the City's Municipal Employees Retirement System (MERS) defined benefit pension plan. This along with greater return on investments within plan assets resulted in a decrease in net pension liability and pension-related deferred outflows of resources by \$283,574 and \$243,438, respectively, within business-type activities and an increase in pension-related deferred inflows of resources by \$275,860.

As mentioned earlier, the City's net position increased by \$2,115,169 for an ending net position balance of \$67,877,445. The following chart illustrates changes in net position for the past two fiscal years:

**City of Owosso's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 3,033,465	\$ 2,171,891	\$ 8,425,614	\$ 7,762,817	\$ 11,459,079	\$ 9,934,708
Operating Grants and Contributions	2,871,609	2,028,555	3,868	22,519	2,875,477	2,051,074
Capital Grants and Contributions	371,437	614,088	27,850	42,533	399,287	656,621
<b>Total Program Revenues</b>	<b>6,276,511</b>	<b>4,814,534</b>	<b>8,457,332</b>	<b>7,827,869</b>	<b>14,733,843</b>	<b>12,642,403</b>
<b>General Revenues</b>						
Property Taxes	4,852,305	4,753,697	85,936	83,117	4,938,241	4,836,814
Unrestricted State Sources	2,073,409	1,774,846	-	-	2,073,409	1,774,846
Investment Income	81,431	210,800	29,713	92,906	111,144	303,706
Net Transfers	(22,331)	-	22,331	-	-	-
<b>Total General Revenues and Transfers</b>	<b>6,984,814</b>	<b>6,739,343</b>	<b>137,980</b>	<b>176,023</b>	<b>7,122,794</b>	<b>6,915,366</b>
<b>Total Revenues</b>	<b>13,261,325</b>	<b>11,553,877</b>	<b>8,595,312</b>	<b>8,003,892</b>	<b>21,856,637</b>	<b>19,557,769</b>
<b>Expenses</b>						
General Government	3,067,811	1,709,987	-	-	3,067,811	1,709,987
Public Safety	5,167,912	4,777,135	-	-	5,167,912	4,777,135
Public Works	2,585,160	2,302,512	-	-	2,585,160	2,302,512
Community and Economic Development	131,112	494,940	-	-	131,112	494,940
Recreation and Culture	347,324	339,528	-	-	347,324	339,528
Interest and Other Charges on Long-term Debt	589,214	428,045	-	-	589,214	428,045
Water Supply System	-	-	3,405,264	3,059,408	3,405,264	3,059,408
Sewage Disposal System	-	-	2,095,368	2,019,301	2,095,368	2,019,301
Wastewater Treatment System	-	-	2,288,255	2,261,485	2,288,255	2,261,485
Transportation	-	-	64,048	62,939	64,048	62,939
<b>Total Expenses</b>	<b>11,888,533</b>	<b>10,052,147</b>	<b>7,852,935</b>	<b>7,403,133</b>	<b>19,741,468</b>	<b>17,455,280</b>
<b>Change in Net Position</b>	<b>1,372,792</b>	<b>1,501,730</b>	<b>742,377</b>	<b>600,759</b>	<b>2,115,169</b>	<b>2,102,489</b>
<i>Net Position at the Beginning of Period</i>	<i>45,002,421</i>	<i>43,500,691</i>	<i>20,759,855</i>	<i>20,159,096</i>	<i>65,762,276</i>	<i>63,659,787</i>
<b>Net Position at the End of Period</b>	<b>\$ 46,375,213</b>	<b>\$ 45,002,421</b>	<b>\$ 21,502,232</b>	<b>\$ 20,759,855</b>	<b>\$ 67,877,445</b>	<b>\$ 65,762,276</b>

**Governmental Activities**

Governmental activities increased by \$1,372,792 for an ending net position of \$46,375,213. Charges for services increased by \$861,574 as the City received more special assessment revenue during the current year. Operating grants and contributions increased by \$843,054 as the City received more restricted state and federal funding related to the COVID-19 Pandemic. The City also received additional unrestricted state aid contributing to the \$298,563 rise in unrestricted state sources. Property taxes increased by \$98,608 as the overall taxable value of the City increased. Overall expenses increased by \$1,836,386 primarily related to the changes in capital assets and net pension liability and its related deferrals.

**Business-type Activities**

Business-type activities increased by \$742,377 for an ending net position of \$21,502,232. Charges for services increased by \$662,797 as the City saw increases along all of its enterprise funds. Along with increase in revenues, associated costs caused expenses to increase by \$449,802.

## Financial Analysis of the City's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,398,226. More detail on available, spendable balances can be found in the notes to these financial statements.

The *general fund* is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$7,598,863, an increase of \$799,335. Unassigned fund balance of \$2,939,915 was 35.9% of expenditures and transfers out while total fund balance of \$7,598,863 was 92.9% of expenditures and transfers out. The significant increase was caused primarily by the rise of intergovernmental revenues related to restricted state and federal COVID-19 funding.

The *2013 general obligation bonds* debt service fund, a major fund, had an increase in fund balance of \$37,253 for an ending restricted fund balance of \$67,877. During the current year, the fund's activity consisted of the City's advance bond refunding of general obligation unlimited tax bonds as mentioned in the notes to the financial statements.

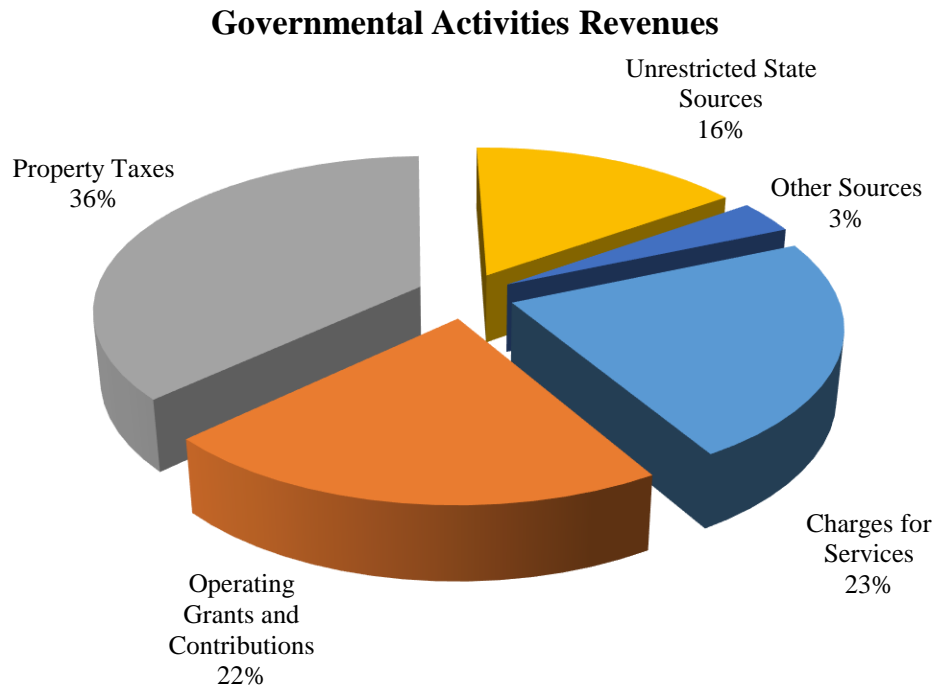
**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The proprietary funds of the City are comprised of the sewage disposal system, water supply system, wastewater treatment system, and nonmajor transportation funds. The sewage disposal system fund's net position increased by \$48,497 to \$3,835,575. The water supply system fund's net position increased by \$553,934 to \$13,373,763. The wastewater treatment system fund's net position increased by \$114,332 to \$4,185,757. The nonmajor transportation fund's net position increased by \$25,614 to \$107,137. Unrestricted net position for the sewage disposal system was \$2,320,180, for the water supply system was \$1,978,224, for the wastewater treatment system was a deficit of \$(480,701), and for the nonmajor transportation fund was \$107,137.

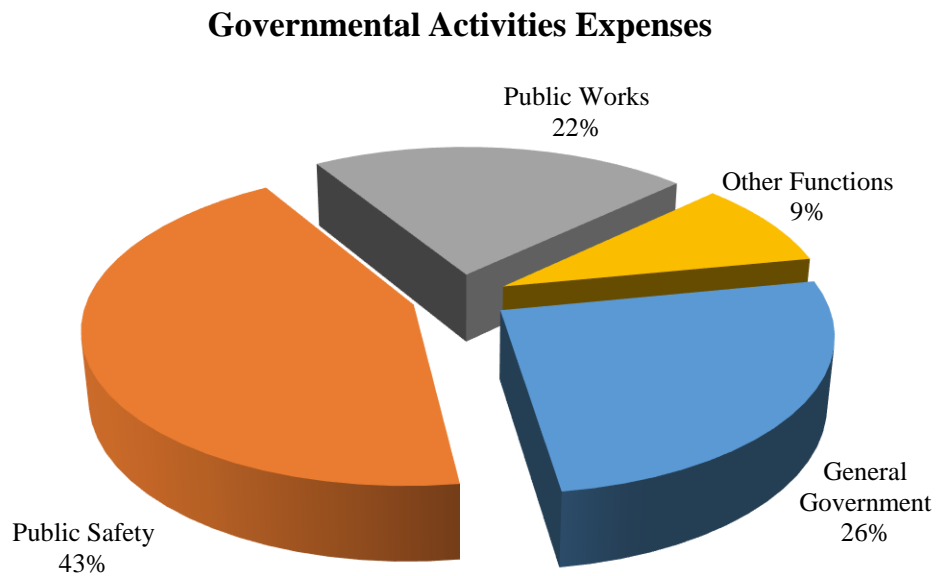
Information regarding the reasons for significant changes within these funds can be found in an earlier section of this report.

## Governmental Activities

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



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



## General Fund Budgetary Highlights

*Original budget compared to final budget.* During the year, there were two significant amendments made to the original estimated revenues and the original budgeted appropriations: estimated intergovernmental revenues increased from \$15,21,104 to \$2,497,245 and budgeted general administration appropriations increased from \$312,700 to \$832,002. The City also had other minor amendments meant to better allocate expenditures to their correct departments and functions.

*Final budget compared to actual results.* The City had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2021:

<b>Function</b>	<b>Final Budgeted Amount</b>	<b>Actual Amount</b>	<b>Negative Variance</b>
Parks	\$ 233,933	\$ 241,059	\$ (7,126)
Transfers Out	167,657	246,139	(78,482)

## Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to \$70,569,541 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, machinery, and equipment, vehicles, and water and sewer infrastructure.

Additional information regarding the City's fixed assets can be found in the notes to financial statements.

## Long-term Debt

At the end of the current fiscal year, the City had \$10,979,056 in bonds and premium on bonds outstanding for governmental activities and \$8,499,188 in bonds outstanding for business-type activities.

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

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

The City's 2021-2022 budget for the general fund projects revenues and transfers in of \$7,916,745 and appropriations and transfers out of \$8,744,235, for an ending decrease in fund balance of \$827,490. For comparison, the City's 2020-2021 actual results for the general fund were \$8,981,366 of total revenues and transfers in and \$8,182,031 of total expenditures and transfers out for an ending increase in fund balance of \$799,335.

The City will continue to monitor closely its capital needs, debt service requirements, and upcoming projects as they relate to the budget and projected revenue streams. Additionally,

management and the City Council are currently working to determine the significance that the COVID-19 Pandemic will have on the City's upcoming revenues and expenditures.

### **Requests for Information**

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

301 W. Main Street  
Owosso, Michigan, 48867.

## **Basic Financial Statements**



**City of Owosso**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 13,547,116	\$ 3,573,200	\$ 17,120,316	\$ 109,349
Accounts Receivable, net	1,061,524	1,647,001	2,708,525	52,945
Special Assessments Receivable	1,299,270	--	1,299,270	--
Due from Other Units of Government	694,463	1,050,608	1,745,071	--
Inventories	69,404	84,926	154,330	65,700
Other Assets	237,647	--	237,647	--
<b>Total Current Assets</b>	<b>16,909,424</b>	<b>6,355,735</b>	<b>23,265,159</b>	<b>227,994</b>
<i>Noncurrent Assets</i>				
Restricted Cash	--	1,417,930	1,417,930	--
Capital Assets not being Depreciated	4,559,913	1,189,621	5,749,534	--
Capital Assets being Depreciated, net	41,350,888	23,469,029	64,819,917	31,045
Advance to Component Unit	1,016,494	612,280	1,628,774	--
<b>Total Assets</b>	<b>63,836,719</b>	<b>33,044,595</b>	<b>96,881,314</b>	<b>259,039</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Charge on Bond Refunding	86,103	--	86,103	--
Pension Related	1,224,234	365,679	1,589,913	--
<b>Total Deferred Outflows of Resources</b>	<b>1,310,337</b>	<b>365,679</b>	<b>1,676,016</b>	<b>--</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	200,442	1,050,115	1,250,557	2,090
Accrued Wages	644,875	86,943	731,818	--
Accrued Interest	60,360	34,159	94,519	974
Customer Deposits	5,031	186,965	191,996	--
Current Portion of Compensated Absences	79,037	22,606	101,643	--
Current Portion of Long-term Debt	560,000	911,458	1,471,458	170,860
<b>Total Current Liabilities</b>	<b>1,549,745</b>	<b>2,292,246</b>	<b>3,841,991</b>	<b>173,924</b>
<i>Noncurrent Liabilities</i>				
Compensated Absences	316,151	90,422	406,573	--
Long-term Debt	10,419,056	7,587,730	18,006,786	1,841,479
Net Pension Liability	3,370,893	1,006,891	4,377,784	--
<b>Total Liabilities</b>	<b>15,655,845</b>	<b>10,977,289</b>	<b>26,633,134</b>	<b>2,015,403</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	3,115,998	930,753	4,046,751	--
<b>Total Deferred Inflows of Resources</b>	<b>3,115,998</b>	<b>930,753</b>	<b>4,046,751</b>	<b>--</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	36,191,691	16,159,462	52,351,153	124
<i>Restricted for:</i>				
Debt Service	214,072	--	214,072	--
Revolving Loan	1,198,457	--	1,198,457	--
Improvement and Replacement	--	1,417,930	1,417,930	--
Streets and Highways	4,917,392	--	4,917,392	--
Historical	277,352	--	277,352	--
Building Department	283,868	--	283,868	--
Parks	212,729	--	212,729	--
<i>Unrestricted</i>	3,079,652	3,924,840	7,004,492	(1,756,488)
<b>Total Net Position</b>	<b>\$ 46,375,213</b>	<b>\$ 21,502,232</b>	<b>\$ 67,877,445</b>	<b>\$ (1,756,364)</b>

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

**City of Owosso**  
**Statement of Activities**  
**For the Period Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
General Government	\$ 3,067,811	\$ 504,360	\$ 23,931	\$ --	\$ (2,539,520)	\$ --	\$ (2,539,520)	\$ --
Public Safety	5,167,912	1,397,562	521,549	--	(3,248,801)	--	(3,248,801)	--
Public Works	2,585,160	1,110,548	2,231,855	371,437	1,128,680	--	1,128,680	--
Community and Economic Development	131,112	7,131	78,885	--	(45,096)	--	(45,096)	--
Recreation and Culture	347,324	13,864	15,389	--	(318,071)	--	(318,071)	--
Interest on Long-term Debt	362,881	--	--	--	(362,881)	--	(362,881)	--
Bond Issuance Costs Related to Long-term Debt	226,333	--	--	--	(226,333)	--	(226,333)	--
<i>Total Governmental Activities</i>	<u>11,888,533</u>	<u>3,033,465</u>	<u>2,871,609</u>	<u>371,437</u>	<u>(5,612,022)</u>	<u>--</u>	<u>(5,612,022)</u>	<u>--</u>
<b>Business-type Activities:</b>								
Transportation Fund	64,048	--	3,743	--	--	(60,305)	(60,305)	--
Sewage Disposal System	2,095,368	2,140,810	--	--	--	45,442	45,442	--
Water Supply System	3,405,264	3,890,857	125	27,850	--	513,568	513,568	--
Wastewater Treatment System	2,288,255	2,393,947	--	--	--	105,692	105,692	--
<i>Total Business-type Activities</i>	<u>7,852,935</u>	<u>8,425,614</u>	<u>3,868</u>	<u>27,850</u>	<u>--</u>	<u>604,397</u>	<u>604,397</u>	<u>--</u>
<i>Total Primary Government</i>	<u>\$ 19,741,468</u>	<u>\$ 11,459,079</u>	<u>\$ 2,875,477</u>	<u>\$ 399,287</u>	<u>(5,612,022)</u>	<u>604,397</u>	<u>(5,007,625)</u>	<u>--</u>
<b>Component Units</b>								
Brownfield Redevelopment Authority	\$ 460,140	\$ --	\$ 183,135	\$ --	--	--	--	(277,005)
Downtown Development Authority	391,660	12,729	95,580	--	--	--	--	(283,351)
<i>Total Component Units</i>	<u>\$ 851,800</u>	<u>\$ 12,729</u>	<u>\$ 278,715</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(560,356)</u>
<b>General Purpose Revenues and Transfers:</b>								
<b>Revenues</b>								
Investment Income					81,431	29,713	111,144	4,342
Unrestricted State Sources					2,073,409	--	2,073,409	--
Property Taxes					4,852,305	85,936	4,938,241	655,796
<b>Transfers</b>					(22,331)	22,331	--	--
<i>Total General Revenues and Transfers</i>					<u>6,984,814</u>	<u>137,980</u>	<u>7,122,794</u>	<u>660,138</u>
<i>Change in Net Position</i>					<u>1,372,792</u>	<u>742,377</u>	<u>2,115,169</u>	<u>99,782</u>
<i>Net Position at Beginning of Period (Restated, Note 17)</i>					<u>45,002,421</u>	<u>20,759,855</u>	<u>65,762,276</u>	<u>(1,856,146)</u>
<i>Net Position at End of Period</i>					<u>\$ 46,375,213</u>	<u>\$ 21,502,232</u>	<u>\$ 67,877,445</u>	<u>\$ (1,756,364)</u>

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

**City of Owosso  
Balance Sheet  
Governmental Funds  
June 30, 2021**

	<u>Debt Service</u>			
	<u>General</u>	<u>2013 General Obligation Bonds</u>	<u>Other Governmental Funds</u>	
<b>ASSETS</b>				
Cash and Investments	\$ 6,446,984	\$ 60,506	\$ 4,972,806	\$ 11,480,296
Accounts Receivable, net	246,713	7,371	802,296	1,056,380
Special Assessments Receivable	105,459	--	1,193,811	1,299,270
Due from Other Units of Government	393,118	--	301,345	694,463
Inventories	69,404	--	--	69,404
Due from Other Funds	--	--	501	501
Advance to Component Unit	1,016,494	--	--	1,016,494
<b><i>Total Assets</i></b>	<b><u>\$ 8,278,172</u></b>	<b><u>\$ 67,877</u></b>	<b><u>\$ 7,270,759</u></b>	<b><u>\$ 15,616,808</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 141,222	\$ --	\$ 42,900	\$ 184,122
Accrued Wages	342,098	--	297,531	639,629
Customer Deposits	--	--	5,031	5,031
Due to Other Funds	501	--	--	501
<b><i>Total Liabilities</i></b>	<b><u>483,821</u></b>	<b><u>--</u></b>	<b><u>345,462</u></b>	<b><u>829,283</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	195,488	--	1,193,811	1,389,299
<b><i>Total Liabilities and Deferred Inflows of Resources</i></b>	<b><u>679,309</u></b>	<b><u>--</u></b>	<b><u>1,539,273</u></b>	<b><u>2,218,582</u></b>
<b>FUND BALANCE</b>				
Nonspendable	1,085,898	--	--	1,085,898
Restricted	336,514	67,877	5,505,668	5,910,059
Assigned	3,115,722	--	225,818	3,341,540
Unassigned	3,060,729	--	--	3,060,729
<b><i>Total Fund Balance</i></b>	<b><u>7,598,863</u></b>	<b><u>67,877</u></b>	<b><u>5,731,486</u></b>	<b><u>13,398,226</u></b>
<b><i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i></b>	<b><u>\$ 8,278,172</u></b>	<b><u>\$ 67,877</u></b>	<b><u>\$ 7,270,759</u></b>	<b><u>\$ 15,616,808</u></b>

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

**City of Owosso**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2021**

Total Fund Balance - Governmental Funds	\$	13,398,226
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements		3,616,461
Assets held on deposit with the MMRMA for self insurance are not current financial resources, and therefore are not reported in the funds.		227,647
General government capital assets, net of accumulated depreciation, are not financial resources and, accordingly, are not reported in the funds. This represents capital assets of \$79,913,143 net of accumulated depreciation of \$35,636,844.		44,276,299
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		1,389,299
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.		(5,194,310)
Long-term liabilities, including premium on bonds, are not due and payable in the current period and, therefore, are not reported in the funds.		(10,979,056)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(60,360)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(385,096)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.		86,103
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>46,375,213</u></b>

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

**City of Owosso**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Period Ended June 30, 2021**

	<u>Debt Service</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>2013 General Obligation Bonds</u>		
<b>Revenues</b>				
Property Taxes	\$ 3,713,444	\$ 790,926	\$ 347,895	\$ 4,852,265
Special Assessments	19,807	--	561,033	580,840
Licenses and Permits	533,324	--	--	533,324
Intergovernmental	2,565,915	43,688	2,330,677	4,940,280
Charges for Services	1,101,263	--	825	1,102,088
Interest and Rentals	43,377	--	32,600	75,977
Other Revenue	927,866	--	6,333	934,199
<b>Total Revenues</b>	<u>8,904,996</u>	<u>834,614</u>	<u>3,279,363</u>	<u>13,018,973</u>
<b>Expenditures</b>				
General Government	2,579,745	--	233,137	2,812,882
Public Safety	4,283,165	--	102,095	4,385,260
Public Works	773,953	--	3,573,539	4,347,492
Community and Economic Development	57,970	--	67,538	125,508
Recreation and Culture	241,059	--	194,362	435,421
Debt Service, Principal	--	470,000	110,000	580,000
Debt Service, Interest	--	334,732	57,367	392,099
Debt Service, Bond Issuance Costs	--	186,795	39,538	226,333
<b>Total Expenditures</b>	<u>7,935,892</u>	<u>991,527</u>	<u>4,377,576</u>	<u>13,304,995</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>969,104</u>	<u>(156,913)</u>	<u>(1,098,213)</u>	<u>(286,022)</u>
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued	--	8,563,400	1,021,600	9,585,000
Premium on Refunding Bonds Issued	--	1,251,898	142,158	1,394,056
Sale of Fixed Assets	76,370	--	42,332	118,702
Transfers In	--	--	1,556,964	1,556,964
Payment to Refunding Bonds Escrow Agent	--	(9,621,132)	(1,124,971)	(10,746,103)
Transfers Out	(246,139)	--	(1,335,389)	(1,581,528)
<b>Net Other Financing Sources (Uses)</b>	<u>(169,769)</u>	<u>194,166</u>	<u>302,694</u>	<u>327,091</u>
<b>Net Change in Fund Balance</b>	<u>799,335</u>	<u>37,253</u>	<u>(795,519)</u>	<u>41,069</u>
<i>Fund Balance at Beginning of Period</i>	6,799,528	30,624	6,527,005	13,357,157
<b>Fund Balance at End of Period</b>	<u>\$ 7,598,863</u>	<u>\$ 67,877</u>	<u>\$ 5,731,486</u>	<u>\$ 13,398,226</u>

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

**City of Owosso**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Period Ended June 30, 2021**

Total Net Change in Fund Balances - Governmental Funds	\$	41,069
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements		73,675
Changes to the MMRMA deposit and related self-insurance liability are not shown in the fund financial statements. This amounts represents the changes in net position held with an agent for self-insurance.		19,033
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$2,494,319 plus a gain on transfers of \$216,770 exceeds depreciation expense of \$987,425.		1,723,664
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds, but rather are deferred to the following fiscal year. This amount represents the changes in revenue unavailable in the current year and deferred to the following fiscal year.		310,231
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.		580,000
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.		(1,177,414)
In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest and amortization of bond premiums and discounts. In addition, the amortization of the deferred charge on bond refundings is included.		29,218
Changes to compensated absences are not shown in the fund financial statements. This amounts represents the changes in compensated absences during the current year.		6,269
Issuance of long-term debt are other financing sources in the governmental funds, but the issuance increases long-term liabilities in the statement of net position. Payment to refunding bond escrow agent are other financing uses in the governmental funds, but the payment decreases long-term liabilities in the statement of net position. The difference between the refunding bond issuance and payment to refunding bond escrow agent is other financing uses in the governmental funds, but the difference increases deferred charges on bond refunding in the statement of net position.		(232,953)
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>1,372,792</u></b>

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

**City of Owosso  
Statement of Net Position  
Proprietary Funds  
June 30, 2021**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental</b>
	<b>Sewage Disposal System</b>	<b>Water Supply System</b>	<b>Wastewater Treatment System</b>	<b>Transportation (Nonmajor)</b>	<b>Total Enterprise Funds</b>	<b>Activities Internal Service Fund</b>
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 1,749,060	\$ 918,451	\$ 798,552	\$ 107,137	\$ 3,573,200	\$ 2,066,820
Accounts Receivable, net	588,261	1,058,740	--	--	1,647,001	5,144
Due from Other Units of Government	275,460	758,257	16,891	--	1,050,608	--
Inventories	--	84,926	--	--	84,926	--
<b>Total Current Assets</b>	<b>2,612,781</b>	<b>2,820,374</b>	<b>815,443</b>	<b>107,137</b>	<b>6,355,735</b>	<b>2,071,964</b>
<i>Noncurrent Assets</i>						
Restricted Cash	--	923,232	494,698	--	1,417,930	--
Capital Assets not being Depreciated	--	1,189,621	--	--	1,189,621	--
Capital Assets being Depreciated, net	2,861,443	14,290,826	6,316,760	--	23,469,029	1,634,502
Advance to Component Unit	--	612,280	--	--	612,280	--
<b>Total Assets</b>	<b>5,474,224</b>	<b>19,836,333</b>	<b>7,626,901</b>	<b>107,137</b>	<b>33,044,595</b>	<b>3,706,466</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension Related	47,697	127,193	190,789	--	365,679	15,899
<b>Total Deferred Outflows of Resources</b>	<b>47,697</b>	<b>127,193</b>	<b>190,789</b>	<b>--</b>	<b>365,679</b>	<b>15,899</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	57,862	598,865	393,388	--	1,050,115	6,320
Accrued Wages	8,874	51,138	26,931	--	86,943	5,246
Accrued Interest	5,138	20,036	8,985	--	34,159	--
Customer Deposits	--	186,965	--	--	186,965	--
Current Portion of Compensated Absences	3,138	10,131	9,337	--	22,606	2,018
Current Portion of Long-term Debt	100,000	721,458	90,000	--	911,458	--
<b>Total Current Liabilities</b>	<b>175,012</b>	<b>1,588,593</b>	<b>528,641</b>	<b>--</b>	<b>2,292,246</b>	<b>13,584</b>
<i>Noncurrent Liabilities</i>						
Compensated Absences	12,549	40,525	37,348	--	90,422	8,074
Long-term Debt	1,246,048	4,286,682	2,055,000	--	7,587,730	--
Net Pension Liability	131,334	350,223	525,334	--	1,006,891	43,778
<b>Total Liabilities</b>	<b>1,564,943</b>	<b>6,266,023</b>	<b>3,146,323</b>	<b>--</b>	<b>10,977,289</b>	<b>65,436</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension Related	121,403	323,740	485,610	--	930,753	40,468
<b>Total Deferred Inflows of Resources</b>	<b>121,403</b>	<b>323,740</b>	<b>485,610</b>	<b>--</b>	<b>930,753</b>	<b>40,468</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	1,515,395	10,472,307	4,171,760	--	16,159,462	1,634,502
<i>Restricted for:</i>						
Improvement and Replacement	--	923,232	494,698	--	1,417,930	--
<i>Unrestricted</i>	2,320,180	1,978,224	(480,701)	107,137	3,924,840	1,981,959
<b>Total Net Position</b>	<b>\$ 3,835,575</b>	<b>\$ 13,373,763</b>	<b>\$ 4,185,757</b>	<b>\$ 107,137</b>	<b>\$ 21,502,232</b>	<b>\$ 3,616,461</b>

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

**City of Owosso**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Period Ended June 30, 2021**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total Enterprise Funds</b>	<b>Governmental Activities Internal Service Fund</b>
	<b>Sewage Disposal System</b>	<b>Water Supply System</b>	<b>Wastewater Treatment System</b>	<b>Transportation (Nonmajor)</b>		
<b>Operating Revenues</b>						
Charges for Services	\$ 2,136,780	\$ 3,889,417	\$ 2,390,304	\$ --	\$ 8,416,501	\$ 792,330
<b>Total Operating Revenues</b>	<b>2,136,780</b>	<b>3,889,417</b>	<b>2,390,304</b>	<b>--</b>	<b>8,416,501</b>	<b>792,330</b>
<b>Operating Expenses</b>						
Personnel Services	227,340	1,075,757	1,054,900	--	2,357,997	58,972
Administrative and Engineering Services	88,155	241,817	218,875	--	548,847	27,111
Contractual and Professional Services	55,461	394,176	21,899	64,048	535,584	--
Supplies and Chemicals	35,251	533,702	128,452	--	697,405	30,703
Utilities	3,695	185,491	245,664	--	434,850	--
Insurance	10,186	43,799	38,927	--	92,912	26,584
Maintenance	41,657	396,190	252,529	--	690,376	66,748
Plant Charges	1,575,929	--	--	--	1,575,929	--
Depreciation	44,962	473,050	318,024	--	836,036	510,770
<b>Total Operating Expenses</b>	<b>2,082,636</b>	<b>3,343,982</b>	<b>2,279,270</b>	<b>64,048</b>	<b>7,769,936</b>	<b>720,888</b>
<b>Operating Income (Loss)</b>	<b>54,144</b>	<b>545,435</b>	<b>111,034</b>	<b>(64,048)</b>	<b>646,565</b>	<b>71,442</b>
<b>Non-Operating Revenues (Expenses)</b>						
Investment Income	822	26,967	1,941	(17)	29,713	--
Other Revenue	4,030	1,565	3,643	3,743	12,981	--
Property Taxes	--	--	--	85,936	85,936	--
Interest Expense	(12,732)	(61,282)	(8,985)	--	(82,999)	--
<b>Net Non-Operating Revenues (Expenses)</b>	<b>(7,880)</b>	<b>(32,750)</b>	<b>(3,401)</b>	<b>89,662</b>	<b>45,631</b>	<b>--</b>
<b>Income Before Contributions and Transfers</b>	<b>46,264</b>	<b>512,685</b>	<b>107,633</b>	<b>25,614</b>	<b>692,196</b>	<b>71,442</b>
Capital Contributions	--	27,850	--	--	27,850	--
Transfers In	2,233	13,399	6,699	--	22,331	2,233
Transfers Out	--	--	--	--	--	--
<b>Change In Net Position</b>	<b>48,497</b>	<b>553,934</b>	<b>114,332</b>	<b>25,614</b>	<b>742,377</b>	<b>73,675</b>
<i>Net Position at Beginning of Period</i>	3,787,078	12,819,829	4,071,425	81,523	20,759,855	3,542,786
<b>Net Position at End of Period</b>	<b>\$ 3,835,575</b>	<b>\$ 13,373,763</b>	<b>\$ 4,185,757</b>	<b>\$ 107,137</b>	<b>\$ 21,502,232</b>	<b>\$ 3,616,461</b>

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



**City of Owosso**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental</b>
	<b>Sewage Disposal System</b>	<b>Water Supply System</b>	<b>Wastewater Treatment System</b>	<b>Transportation (Nonmajor)</b>	<b>Total Enterprise Funds</b>	<b>Activities Internal Service Fund</b>
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers	\$ 1,893,528	\$ 3,893,912	\$ 2,427,842	\$ --	\$ 8,215,282	\$ 792,384
Cash Payments to Employees for Services and Fringe Benefits	(201,035)	(1,085,705)	(802,741)	--	(2,089,481)	(176,363)
Cash Payments to Suppliers for Goods and Services	(1,766,546)	(1,589,221)	(641,388)	(64,048)	(4,061,203)	(146,366)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(74,053)</b>	<b>1,218,986</b>	<b>983,713</b>	<b>(64,048)</b>	<b>2,064,598</b>	<b>469,655</b>
<b>Cash Flows from Non-capital Financing Activities</b>						
Change in Interfund Balances and Advances to Component Units	(293)	33,582	(1,068)	--	32,221	(272)
Other Revenue	4,030	1,565	3,643	3,743	12,981	--
Property Taxes	--	--	--	85,936	85,936	--
Transfers In	2,233	13,399	6,699	--	22,331	2,233
<b>Net Cash Provided by Non-capital Financing Activities</b>	<b>5,970</b>	<b>48,546</b>	<b>9,274</b>	<b>89,679</b>	<b>153,469</b>	<b>1,961</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Capital Contributions	--	27,850	--	--	27,850	--
Interest Payments on Long-term Debt	(10,043)	(53,001)	--	--	(63,044)	--
Principal Payments on Long-term Debt	(40,000)	(634,377)	--	--	(674,377)	--
Issuances of Long-term Debt	948,755	2,029,125	2,090,571	--	5,068,451	--
Purchases of Capital Assets	(1,011,657)	(1,987,758)	(3,124,586)	--	(6,124,001)	(436,171)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(112,945)</b>	<b>(618,161)</b>	<b>(1,034,015)</b>	<b>--</b>	<b>(1,765,121)</b>	<b>(436,171)</b>
<b>Cash Flows from Investing Activities</b>						
Investment Income (Loss)	822	26,967	1,941	(17)	29,713	--
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>822</b>	<b>26,967</b>	<b>1,941</b>	<b>(17)</b>	<b>29,713</b>	<b>--</b>
<b>Net Increase (Decrease) in Cash and Investments</b>	<b>(180,206)</b>	<b>676,338</b>	<b>(39,087)</b>	<b>25,614</b>	<b>482,659</b>	<b>35,445</b>
<i>Cash and Investments - Beginning of Year</i>	<i>1,929,266</i>	<i>1,165,345</i>	<i>1,332,337</i>	<i>81,523</i>	<i>4,508,471</i>	<i>2,031,375</i>
<b>Cash and Investments - End of Year</b>	<b>\$ 1,749,060</b>	<b>\$ 1,841,683</b>	<b>\$ 1,293,250</b>	<b>\$ 107,137</b>	<b>\$ 4,991,130</b>	<b>\$ 2,066,820</b>
<b>Statement of Net Position</b>						
Cash and Investments	\$ 1,749,060	\$ 918,451	\$ 798,552	\$ 107,137	\$ 3,573,200	\$ 2,066,820
Restricted Cash and Investments	--	923,232	494,698	--	1,417,930	--
<b>Total Cash and Investments</b>	<b>\$ 1,749,060</b>	<b>\$ 1,841,683</b>	<b>\$ 1,293,250</b>	<b>\$ 107,137</b>	<b>\$ 4,991,130</b>	<b>\$ 2,066,820</b>

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

**City of Owosso  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2021**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities Internal Service Fund</b>
	<b>Sewage Disposal System</b>	<b>Water Supply System</b>	<b>Wastewater Treatment System</b>	<b>Transportation (Nonmajor)</b>	<b>Total Enterprise Funds</b>	
<b>Reconciliation of Operating Income (Loss) to</b>						
<b>Net Cash Provided by (Used in) Operating Activities</b>						
Operating Income (Loss)	\$ 54,144	\$ 545,435	\$ 111,034	\$ (64,048)	\$ 646,565	\$ 71,442
<b>Adjustments to Reconcile Operating Income (Loss) to</b>						
<b>Net Cash Provided by (Used in) Operating Activities</b>						
Depreciation	44,962	473,050	318,024	--	836,036	510,770
<b>Changes in Assets, Liabilities, and Related Deferrals</b>						
Accounts Receivable, net	(13,299)	(15,667)	--	--	(28,966)	54
Due from Other Units of Government	(229,953)	4,362	37,538	--	(188,053)	--
Inventories	--	(12,802)	--	--	(12,802)	--
Accounts Payable	43,788	218,756	264,958	--	527,502	4,780
Accrued Wages	1,130	17,466	5,583	--	24,179	2,429
Customer Deposits	--	15,800	--	--	15,800	--
Compensated Absences	(2,571)	5,217	5,967	--	8,613	(1,817)
Net Pension Liability and Pension Related Deferrals	27,746	(32,631)	240,609	--	235,724	(118,003)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (74,053)</b>	<b>\$ 1,218,986</b>	<b>\$ 983,713</b>	<b>\$ (64,048)</b>	<b>\$ 2,064,598</b>	<b>\$ 469,655</b>

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

**City of Owosso**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

	<b>Pension and Benefit Trust</b>	<b>Custodial Fund</b>
	<b>Pension Trust Fund</b>	<b>Current Tax Collection</b>
<b>ASSETS</b>		
<i>Total Assets</i>	--	--
<b>LIABILITIES</b>		
<i>Total Liabilities</i>	--	--
<b>NET POSITION</b>		
Held in Trust	\$ --	\$ --

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

**City of Owosso**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Period Ended June 30, 2021**

	<u>Pension and Benefit Trust</u>	<u>Custodial Fund</u>
	<u>Pension Trust Fund</u>	<u>Current Tax Collection</u>
<b>Additions</b>		
Property Taxes for Other Governments	\$ --	\$ 9,454,644
Interest and Dividends	351,959	--
Net Appreciation (Depreciation) in Fair Value of Investments	(2,355,048)	--
Plan Member Contributions	51,040	--
Other - City Reimbursed Expenses	134,714	--
<b>Total Additions</b>	<u>(1,817,335)</u>	<u>9,454,644</u>
<b>Deductions</b>		
Payments of Property Taxes to Other Governments	--	9,454,644
Benefit Payments	1,102,493	--
Administrative Expenses	114,735	--
Dissolution of Plan ( <i>Note 9</i> )	27,704,749	--
<b>Total Deductions</b>	<u>28,921,977</u>	<u>9,454,644</u>
<b>Change in Net Position</b>	<b>(30,739,312)</b>	<b>--</b>
<i>Net Position at Beginning of Period</i>	30,739,312	--
<b>Net Position at End of Period</b>	<u>\$ --</u>	<u>\$ --</u>

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

**City of Owosso**  
**Combining Statement of Net Position**  
**Component Units**  
**June 30, 2021**

	<b>Brownfield Redevelopment Authority</b>	<b>Downtown Development Authority</b>	<b>Total Component Units</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Investments	\$ 10,487	\$ 98,862	\$ 109,349
Accounts Receivable, net	--	52,945	52,945
Inventories	65,700	--	65,700
<b>Total Current Assets</b>	<b>76,187</b>	<b>151,807</b>	<b>227,994</b>
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated, net	--	31,045	31,045
<b>Total Assets</b>	<b>76,187</b>	<b>182,852</b>	<b>259,039</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	--	2,090	2,090
Accrued Interest	974	--	974
Current Portion of Long-term Debt	166,679	4,181	170,860
<b>Total Current Liabilities</b>	<b>167,653</b>	<b>6,271</b>	<b>173,924</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	1,814,739	26,740	1,841,479
<b>Total Liabilities</b>	<b>1,982,392</b>	<b>33,011</b>	<b>2,015,403</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	--	124	124
<i>Unrestricted</i>	(1,906,205)	149,717	(1,756,488)
<b>Total Net Position</b>	<b>\$ (1,906,205)</b>	<b>\$ 149,841</b>	<b>\$ (1,756,364)</b>

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

**City of Owosso**  
**Combining Statement of Activities**  
**Component Units**  
**For the Period Ended June 30, 2021**

	<b>Brownfield Redevelopment Authority</b>	<b>Downtown Development Authority</b>	<b>Total Component Units</b>
<b>Expenses</b>			
Community and Economic Development	\$ 383,263	\$ 390,922	\$ 774,185
Debt Service, Interest	76,877	738	77,615
<b>Total Expenses</b>	<b>460,140</b>	<b>391,660</b>	<b>851,800</b>
<b>Program Revenues</b>			
Charges for Services	--	12,729	12,729
Operating Grants and Contributions	183,135	95,580	278,715
Capital Grants and Contributions	--	--	--
<b>Total Program Revenues</b>	<b>183,135</b>	<b>108,309</b>	<b>291,444</b>
<b>Net Program Revenues (Expenses)</b>	<b>(277,005)</b>	<b>(283,351)</b>	<b>(560,356)</b>
<b>General Revenue</b>			
Investment Income	2	4,340	4,342
Property Taxes	416,899	238,897	655,796
<b>Total General Revenues</b>	<b>416,901</b>	<b>243,237</b>	<b>660,138</b>
<b>Change in Net Position</b>	<b>139,896</b>	<b>(40,114)</b>	<b>99,782</b>
<i>Net Position at Beginning of Period (Restated, Note 17)</i>	(2,046,101)	189,955	(1,856,146)
<b>Net Position at End of Period</b>	<b>\$ (1,906,205)</b>	<b>\$ 149,841</b>	<b>\$ (1,756,364)</b>

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

## **Notes to the Financial Statements**

# City of Owosso

## Notes to the Financial Statements

---

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the City of Owosso, Michigan (the “City” or “government”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

#### ***Reporting Entity***

The City is governed by an elected mayor and seven-member Council and administer by an appointed City Manager.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

#### ***Discretely Presented Component Units***

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 is 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.

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 audited separately and separately issued financial statements can be obtained from the administrative offices of the DDA.

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

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



## City of Owosso

### Notes to the Financial Statements

---

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

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

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

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

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

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

## City of Owosso

### Notes to the Financial Statements

---

The City reports the following major governmental funds:

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

The **2013 general obligation bonds debt service fund** is used to account for the activity of the 2021 general obligation unlimited tax bonds which refunded the 2010, 2013, 2017, and 2018 general obligation unlimited tax bonds.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

The **pension trust fund** accounts for the Employees' Retirement System (the "System"), a defined benefit pension plan. It is governed by a seven-member pension board that includes three individuals chosen by the City Council. The system is reported within the City's basic financial statements even though its resources cannot be used to fund the City's operations because of the fiduciary responsibility that the City retains relative to the operations of the retirement system. The fund is closed as of July 1, 2021.

## City of Owosso

### Notes to the Financial Statements

---

The *custodial fund* is custodial in nature and does not present results of operations or have a measurement focus. The custodial fund is accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in a custodial capacity (such as taxes collected for other governments).

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

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

#### ***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 2020 taxable valuation of the City totaled \$295,835,099 (a portion of which is captured by the DDA). The City levied 12.9172 mills for general operations, 1.0000 for Public Act 298 (collecting and disposing of garbage), 3.2000 for debt service, 0.9931 for historic preservation and parks, 0.3310 for transit services, and 1.9001 for the Downtown Development Authority.

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

##### ***Deposits and Investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

## City of Owosso

### Notes to the Financial Statements

---

State statutes and City policy authorize the City to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Banker's acceptances of United States banks.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

#### ***Receivables and Payables***

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

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

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

## City of Owosso

### Notes to the Financial Statements

---

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

#### ***Restricted Assets***

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

Restricted cash in the water supply system is comprised of water main replacement capital charges collected quarterly from system users, net of water main replacement costs.

#### ***Inventories***

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

#### ***Prepaid Expenditures/Expenses***

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

#### ***Capital Assets***

Capital assets, which include property, buildings and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their estimated acquisition cost as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

## City of Owosso

### Notes to the Financial Statements

---

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

	<u>Years</u>
Buildings and Improvements	11-50
Land and Other Improvements	5-50
Machinery, Vehicles, and Equipment	5-25
Office Furnishings	5-20
Road, Sidewalks, and Other Infrastructure	50

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

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

#### ***Compensated Absences***

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

#### ***Long-term Obligations***

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

## City of Owosso

### Notes to the Financial Statements

---

#### ***Pension***

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the pension, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

#### ***Deferred Outflows / Inflows of Resources***

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the City's net pension liability. The net pension liability amounts are related to differences between expected and actual experience, changes of assumptions, differences between projected and actual pension plan investment earnings, and employer contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

The City also has a deferred inflow, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, this item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: receivables for revenues that are not considered to be available to liquidate liabilities of the current period. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Additionally, the City has a deferred outflow related to deferred charges on advance bond refundings.

#### ***Net Position Flow Assumptions***

Sometimes the government will fund outlays for a particular order from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In to calculate the amounts to report as restricted and unrestricted – net position in the government-wide and proprietary fund financial

## City of Owosso

### Notes to the Financial Statements

---

statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

#### ***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.

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.



# City of Owosso

## Notes to the Financial Statements

---

### ***Fund Balance Flow Assumption***

Sometimes the government 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 government'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.

### **Note 2 - Budgetary Information**

#### ***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 Budgetary Funds***

The City had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2021:

<b>Function</b>	<b>Final Budgeted Amount</b>	<b>Actual Amount</b>	<b>Negative Variance</b>
Parks	\$ 233,933	\$ 241,059	\$ (7,126)
Transfers Out	167,657	246,139	(78,482)

#### ***Deficit Net Position***

The City's Brownfield Redevelopment Authority, a discretely presented component unit, has a deficit unrestricted and total net position of \$(1,906,205). The Brownfield Redevelopment Authority will capture property taxes in the future and use revenues from services to eliminate this

## City of Owosso

### Notes to the Financial Statements

deficit. The City's wastewater treatment system fund reported a deficit unrestricted net position of \$(480,701).

#### **Note 3 - Deposits and Investments**

Following is a reconciliation of deposit and investment balances as of June 30, 2021:

	<b>Primary Government</b>	<b>Component Units</b>	<b>Total</b>
<b>Statement of Net Position</b>			
Cash and Investments	\$ 17,120,316	\$ 109,349	\$ 17,229,665
Restricted Cash	1,417,930	-	1,417,930
<b>Total Cash and Investments</b>	<b>\$ 18,538,246</b>	<b>\$ 109,349</b>	<b>\$ 18,647,595</b>
<b>Deposits and Investments</b>			
Bank Deposits (Checking and Savings)			\$ 12,442,736
		Investments	6,202,059
		Cash on Hand	2,800
<b>Total Deposits and Investments</b>			<b>\$ 18,647,595</b>

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require, and the City does not have a policy for deposit custodial credit risk. As of year-end, \$1,064,672 of the City's bank balance of \$11,994,509 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds 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, 2021, none of the City's investments were exposed to custodial credit risk. Investments for the City consisted of the following types:

Cash and Cash Equivalents	\$ 562,880
Michigan CLASS	4,728,427
Certificates of Deposit	401,717
Municipal Obligations	509,035
<b><i>Total Investments</i></b>	<b>\$ 6,202,059</b>

## City of Owosso

### Notes to the Financial Statements

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

Standards & Poor's AAAm	\$ 4,728,427
Standards & Poor's AA+	427,220
Standards & Poor's AA	81,815
Not Rated	964,597
<b>Total Investments</b>	<b>\$ 6,202,059</b>

**Interest Rate Risk.** Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for investments held at year-end are summarized as follows:

No Maturity	\$ 5,291,307
Due in Less than 1 Year	156,239
Due within 1-5 Years	327,293
Due 10+ Years	427,220
<b>Total Investments</b>	<b>\$ 6,202,059</b>

**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.

#### **Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

## City of Owosso

### Notes to the Financial Statements

---

There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

The City had the following recurring fair value measurements as of June 30, 2021:

- Cash and cash equivalents of \$562,880 that were not applicable to fair value measurement.
- Certificates of deposit and municipal obligations of \$910,752 that were valued using quoted market prices (level 1 fair value measurement).
- Michigan CLASS of \$4,728,427 that were valued as a level 2 fair value measurement.

#### Note 4 - Interfund Transactions

The composition of interfund balances for the year ended June 30, 2021 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental	General	\$ 501

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

## City of Owosso

### Notes to the Financial Statements

Interfund transfers for the year ended June 30, 2021 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental	General	\$ 221,575
Nonmajor Governmental	Nonmajor Governmental	1,335,389
Fleet Maintenance	General	2,233
Sewage Disposal System	General	2,233
Water Supply System	General	13,399
Wastewater Treatment System	General	6,699

Interfund transfers are used to: 1) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 2) move Act 51 revenues to fund local street projects, and 3) move monies from the major and local streets funds to the streets capital projects fund to fund capital projects related to streets and highways.

#### Note 5 - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2021 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Capital Assets not Being Depreciated</b>					
Land	\$ 4,559,913	\$ -	\$ -	\$ -	\$ 4,559,913
Construction in Progress	2,503,711	-	-	(2,503,711)	-
<i>Subtotal</i>	<u>7,063,624</u>	<u>-</u>	<u>-</u>	<u>(2,503,711)</u>	<u>4,559,913</u>
<b>Capital Assets Being Depreciated</b>					
Roads and Sidewalks	59,161,429	2,197,864	-	2,700,012	64,059,305
Land Improvements	3,807,161	103,741	-	10,610	3,921,512
Buildings and Improvements	2,860,343	62,487	-	30,687	2,953,517
Vehicles	4,945,225	557,107	(471,845)	(13,612)	5,016,875
Office Furnishings	1,409,807	13,034	-	(30,742)	1,392,099
Machinery and Equipment	2,530,598	63,081	(171,393)	1	2,422,287
<i>Subtotal</i>	<u>74,714,563</u>	<u>2,997,314</u>	<u>(643,238)</u>	<u>2,696,956</u>	<u>79,765,595</u>
<b>Less Accumulated Depreciation</b>					
Roads and Sidewalks	(26,293,089)	(636,058)	-	-	(26,929,147)
Land Improvements	(2,535,144)	(128,803)	-	(4,885)	(2,668,832)
Buildings and Improvements	(2,523,046)	(36,183)	-	(30,212)	(2,589,441)
Vehicles	(2,831,664)	(463,857)	317,977	27,868	(2,949,676)
Office Furnishings	(1,337,975)	(24,443)	-	30,755	(1,331,663)
Machinery and Equipment	(1,995,532)	(208,851)	258,436	(1)	(1,945,948)
<i>Subtotal</i>	<u>(37,516,450)</u>	<u>(1,498,195)</u>	<u>576,413</u>	<u>23,525</u>	<u>(38,414,707)</u>
<i>Capital Assets Being Depreciated, Net</i>	<u>37,198,113</u>	<u>1,499,119</u>	<u>(66,825)</u>	<u>2,720,481</u>	<u>41,350,888</u>
<b>Capital Assets, Governmental Activities</b>	<u>\$ 44,261,737</u>	<u>\$ 1,499,119</u>	<u>\$ (66,825)</u>	<u>\$ 216,770</u>	<u>\$ 45,910,801</u>

## City of Owosso

### Notes to the Financial Statements

Depreciation expense was charged to the governmental functions of the City as follows:

#### **Governmental Activities**

General Government	\$ 83,404
Public Safety	163,301
Public Works	644,290
Community and Economic Development	4,799
Recreation and Culture	91,631
Depreciation Charged to the Internal Service Fund	510,770
<i>Total</i>	\$ 1,498,195

Capital asset activity for business-type activities for the year ended June 30, 2021 was as follows:

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital Assets not Being Depreciated					
Land	\$ 467,304	\$ -	\$ (335,580)	\$ -	\$ 131,724
Construction in Progress	1,016,136	1,038,050	-	(996,289)	1,057,897
<i>Subtotal</i>	1,483,440	1,038,050	(335,580)	(996,289)	1,189,621
Capital Assets Being Depreciated					
Buildings	13,245,205	-	-	-	13,245,205
Improvements, other than Buildings	16,001,989	2,318,170	-	896,176	19,216,335
Vehicles	1,634,422	-	-	(65,219)	1,569,203
Machinery and Equipment	12,747,964	3,151,819	-	111,127	16,010,910
<i>Subtotal</i>	43,629,580	5,469,989	-	942,084	50,041,653
Less Accumulated Depreciation					
Buildings	(8,470,541)	(236,009)	-	-	(8,706,550)
Improvements, other than Buildings	(6,297,531)	(316,163)	-	(86,904)	(6,700,598)
Vehicles	(338,344)	(87,883)	-	91,211	(335,016)
Machinery and Equipment	(10,635,919)	(195,981)	-	1,440	(10,830,460)
<i>Subtotal</i>	(25,742,335)	(836,036)	-	5,747	(26,572,624)
<i>Capital Assets Being Depreciated, Net</i>	17,887,245	4,633,953	-	947,831	23,469,029
<b><i>Capital Assets, Business-type Activities</i></b>	<b>\$ 19,370,685</b>	<b>\$ 5,672,003</b>	<b>\$ (335,580)</b>	<b>\$ (48,458)</b>	<b>\$ 24,658,650</b>

Depreciation expense was charged to funds of business-type activities as follows:

#### **Business-type Activities**

Sewage Disposal System	\$ 44,962
Water Supply System	473,050
Wastewater Treatment System	318,024
<i>Total</i>	\$ 836,036

## City of Owosso

### Notes to the Financial Statements

#### Note 6 - Long-term Debt

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

The following is a summary of the long-term obligations of the City for the year ended June 30, 2021:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
2009 General Obligation Limited Tax bonds, \$950,000, due in annual installments of \$25,000 to \$75,000 through May 1, 2029, interest at 1.95% to 5.25%, payable semi-annually.	\$ 555,000	\$ -	\$ (555,000)	\$ -	\$ -
2010 General Obligation Unlimited Tax bonds, \$960,000, due in annual installments of \$15,000 to \$65,000 through November 1, 2030, interest at 2.35% to 2.43%, payable semi-annually.	685,000	-	(685,000)	-	-
2013 General Obligation Street Bonds, \$990,000, due in annual installments of \$20,000 to \$70,000 through November 1, 2033, interest at 0.70% to 4.95%, payable semi-annually.	815,000	-	(815,000)	-	-
2017 General Obligation Unlimited Tax bonds, \$4,900,000, due in annual installments of \$220,000 to \$280,000 through May 1, 2037, interest at 1.00% to 3.55%, payable semi-annually.	4,225,000	-	(4,225,000)	-	-
2018 General Obligation Unlimited Tax bonds, \$5,100,000, due in annual installments of \$350,000 to \$400,000 through May 1, 2039, interest at 1% to 3.55%, payable semi-annually.	4,960,000	-	(4,960,000)	-	-
2021 General Obligation Unlimited Tax bonds, \$9,110,000, due in annual installments of \$480,000 to \$1,145,000 through May 1, 2039, interest at 3.00% - 4.00%, payable semi-annually.	-	9,110,000	-	9,110,000	510,000
2021 General Obligation Limited Tax bonds, \$475,000, due in annual installments of \$50,000 to \$70,000 through May 1, 2029, interest at 4.00%, payable semi-annually.	-	475,000	-	475,000	50,000
Premium on 2021 GOUT Bonds	-	1,331,806	-	1,331,806	-
Premium on 2021 GOLT Bonds	-	62,250	-	62,250	-
Compensated Absences	403,274	14,543	(22,629)	395,188	79,037
<b>Total Long-term Debt, Governmental Activities</b>	<b>\$ 11,643,274</b>	<b>\$ 10,993,599</b>	<b>\$(11,262,629)</b>	<b>\$ 11,374,244</b>	<b>\$ 639,037</b>

## City of Owosso

### Notes to the Financial Statements

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue Bond Series 2012 Refunding, \$3,800,000 due in annual installments of \$55,000 to \$505,000 through November 1, 2022, interest at 2.00% to 3.25%, payable semi-annually.	\$ 1,425,000	\$ -	\$ (445,000)	\$ 980,000	\$ 475,000
U.S. Bancorp Installment purchase, \$1,900,000 due in annual installments of \$150,919 through May 15, 2031, interest at 2.63%, payable annually.	1,425,773	-	(189,377)	1,236,396	116,458
State Revolving Fund 2009 Sewer System, \$801,786 due in annual installments of \$30,000 to \$55,000 through April 1, 2028, interest at 2.50%, payable semi-annually.	391,786	-	(40,000)	351,786	45,000
State Revolving Fund 2020 Collection System, \$1,340,000 due in annual installments of \$55,000 to \$80,000 through October 1, 2040, interest at 2.00%, payable semi-annually.	45,507	948,755	-	994,262	55,000
State Revolving Fund 2020 Wastewater Treatment System, \$2,145,000 due in annual installments of \$90,000 to \$130,000 through October 1, 2040, interest at 2.00%, payable semi-annually.	54,429	2,090,571	-	2,145,000	90,000
State Revolving Fund 2020 Drinking Water, \$3,220,000 due in annual installments of \$130,000 to \$195,000 through October 1, 2040, interest at 2.00%, payable semi-annually.	762,619	2,029,125	-	2,791,744	130,000
Compensated Absences	104,415	8,613	-	113,028	22,606
<b>Total Long-term Debt, Business-type Activities</b>	<u>\$ 4,209,529</u>	<u>\$ 5,077,064</u>	<u>\$ (674,377)</u>	<u>\$ 8,612,216</u>	<u>\$ 934,064</u>
<b>Component Units</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Cass Street loan from primary government, \$211,137, due in annual installments of \$7,151 to \$51,265 through June 30, 2027, interest at 0.06%, payable annually.	\$ 112,065	\$ -	\$ (19,219)	\$ 92,846	\$ 16,836
Cargill Brownfield loan from primary government, \$2,120,497, due in annual installments of \$105,900 to \$176,049 through January 1, 2032, interest at 4.00%, payable annually.	1,729,442	-	(100,668)	1,628,774	125,569
Qdoba and Retail Project loan from State of Michigan Department of Environment, Great Lakes and Energy, \$287,969, due in annual installments of \$24,274 to \$28,171 through March 31, 2031, interest at 1.50%, payable annually.	287,969	-	(28,171)	259,798	24,274
<b>Total Long-term Debt, Component Units</b>	<u>\$ 2,129,476</u>	<u>\$ -</u>	<u>\$ (148,058)</u>	<u>\$ 1,981,418</u>	<u>\$ 166,679</u>



## City of Owosso

### Notes to the Financial Statements

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

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 560,000	\$ 300,172	\$ 860,172	\$ 911,458	\$ 197,244	\$ 1,108,702
2023	535,000	282,078	817,078	954,516	172,179	1,126,695
2024	540,000	307,050	847,050	457,655	153,934	611,589
2025	555,000	285,450	840,450	470,876	143,613	614,489
2026	575,000	263,250	838,250	479,181	133,108	612,289
2027 - 2031	3,015,000	958,050	3,973,050	2,309,496	504,402	2,813,898
2032 - 2036	2,705,000	411,400	3,116,400	1,750,000	277,300	2,027,300
2037 - 2040	1,100,000	58,650	1,158,650	1,166,006	69,100	1,235,106
<b>Totals</b>	<b>\$ 9,585,000</b>	<b>\$ 2,866,100</b>	<b>\$ 12,451,100</b>	<b>\$ 8,499,188</b>	<b>\$ 1,650,880</b>	<b>\$ 10,150,068</b>

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

Year Ending June 30,	Component Unit		
	Principal	Interest	Total
2022	\$ 166,679	\$ 73,784	\$ 240,463
2023	173,944	67,354	241,298
2024	180,644	60,654	241,298
2025	187,622	53,676	241,298
2026	192,835	46,404	239,239
2027 - 2031	967,706	126,748	1,094,454
2032	111,989	3,611	115,600
<b>Totals</b>	<b>\$ 1,981,418</b>	<b>\$ 432,231</b>	<b>\$ 2,413,649</b>

#### ***Series 2012 Refunding Bonds***

On August 8, 2012, the City issued revenue bond series 2012 refunding of \$3,800,000. The refunded bonds mature as scheduled on August 8, 2012, through November 1, 2022. The balance of the defeased debt outstanding at year end was \$535,000.

The City has pledged substantially all revenue of the water supply system fund, net of operating expenses, to repay the above water supply system revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply system. The bonds are payable solely from the net revenue of the water supply system fund. During the current year, net adjusted revenue of the system was \$1,018,485 compared to the annual debt requirements of approximately \$557,875.

## City of Owosso

### Notes to the Financial Statements

---

#### ***Series 2021 General Obligation Unlimited Tax Bonds***

On June 3, 2021, the City issued refunding bonds for \$9,110,000 known as the 2021 Refunding Bonds (General Obligation – Unlimited Tax). The proceeds were used to retire \$625,000 of the 2010 UTGO bonds, \$775,000 of the 2013 UTGO bonds, \$3,995,000 of the 2017 UTGO bonds, and \$4,760,000 of the 2018 UTGO bonds. These bonds are callable on July 23, 2021. The refunding is expected to save the City approximately \$1,655,498 over the course of the 2021 refunding bonds life with an economic gain of approximately \$1,425,166.

#### ***Defeased Debt***

During 2021, the City advance refunded \$10,155,000 of bonds, as mentioned above, to purchase U.S. government securities were placed in an escrow fund for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the liability for the bonds was removed from the statement of net position. As of June 30, 2021, \$10,155,000 remains in escrow for the payment of these bonds on July 23, 2021. Therefore, the bonds in the amount of \$10,155,000 are considered defeased at year-end.

#### ***Series 2021 General Obligation Limited Tax Bonds***

On June 3, 2021, the City issued refunding bonds for \$475,000 known as the 2021 Refunding Bonds (General Obligation – Limited Tax). The proceeds were used to retire \$505,000 of the 2009 Limited Tax General Obligation bonds. These bonds are callable on July 23, 2021. The refunding is expected to save the City approximately \$71,826 over the course of the 2021 refunding bonds life with an economic gain of approximately \$66,938.

#### ***Defeased Debt***

During 2021, the City advance refunded \$505,000 of bonds, as mentioned above, to purchase U.S. government securities were placed in an escrow fund for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the liability for the bonds was removed from the statement of net position. As of June 30, 2021, \$505,000 remains in escrow for the payment of these bonds on July 23, 2021. Therefore, the bonds in the amount of \$505,000 are considered defeased at year-end.

## City of Owosso

### Notes to the Financial Statements

#### Note 7 - Net Investment in Capital Assets

Following is a summary of net investment in capital assets as presented in the government-wide statement of net position:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
<b>Add: Related Capital Assets:</b>			
Capital Assets not being Depreciated	\$ 4,559,913	\$ 1,189,621	\$ -
Capital Assets being Depreciated, net	41,350,888	23,469,029	31,045
Unspent Bond Proceeds	1,173,843	-	-
Deferred Charges	86,103	-	-
<b>Less: Related Long-term Debt:</b>			
Due within One Year	(560,000)	(911,458)	(4,181)
Due in more than One Year	(10,419,056)	(7,587,730)	(26,740)
<b><i>Net Investment in Capital Assets</i></b>	<b>\$ 36,191,691</b>	<b>\$ 16,159,462</b>	<b>\$ 124</b>

#### Note 8 - Defined Contribution Retirement Plan

The City provides pension benefits to the city manager position along with new employees under the AFSCME and general union agreements with a defined contribution plan administered under ICMA for which the City provides employer contributions. In accordance with these requirements, the City contributed \$101,558 during the current year and employees contributed \$128,299 during the year. At June 30, 2021, the City's had no outstanding amounts due to the Plan.

#### Note 9 - Defined Benefit Pension Plan

##### *Plan Description*

The City participates in the Municipal Employees Retirement System (MERS) of Michigan, a defined benefit pension plan that provides certain retirement, disability, and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, state-wide 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 by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

## City of Owosso

### Notes to the Financial Statements

#### ***Benefits Provided***

Retirement benefits for employees are calculated as follows:

<b>Division</b>	<b>Benefit Multiplier</b>	<b>Benefit Maximum</b>	<b>Final Average Compensation (Years)</b>	<b>Normal Retirement Age</b>	<b>Unreduced Benefit (Age/Years of Service)</b>	<b>Reduced Benefit (Age/Years of Service)</b>	<b>Vesting (Years)</b>
AFSCME Council - Open	2.50%	80%	3	60	55/25	50/25 or 55/15	10
Police Command - Open	2.80% or 2.50%	80%	3	60	50/25	55/15	10
Fire hired before 5/1/19 - Closed	1.00% or 2.38% or 2.80%	75%	3	55	50/25	-	10
AFSCME hired prior 7/1/05 - Closed	2.50%	80%	3	60	55/25	50/25, 55/15	10
General EE's hired prior 1/6/06 - Closed	2.50%	80%	3	60	-	50/25, 55/15	10
POLC Nonsupervisory - Closed	2.80%	80%	3	55	50/25	-	10
Hybrid IAFF - Open	1.50%	No Max	3	60	55/25	-	6

#### ***Employees Covered by Benefit Terms***

At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	109
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	5
Active Plan Members	48
<b><i>Total Employees Covered By MERS</i></b>	<b><u>162</u></b>

#### ***Contributions***

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

Employer contributions range from 6.56% to 33.25% based on annual payroll for open divisions and approximately \$62,090 a month for closed divisions. The active employee contribution rate ranged from 0.00% to 10.00% of annual payroll for both open and closed divisions.

#### ***Net Pension Liability***

The net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

## City of Owosso

### Notes to the Financial Statements

---

#### *Actuarial Assumptions*

The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.00% plus merit and longevity: 3.00% in the long-term

Investment Rate of Return: 7.35%, net of investment and administrative expense 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 3.00-4.00%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Gross Rate of Return</u>	<u>Long-term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	60.00%	7.45%	4.47%	2.50%	2.97%
Global Fixed Income	20.00%	4.90%	0.98%	2.50%	0.48%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
<b>Total</b>	<b>100.00%</b>		<b>7.35%</b>		<b>4.85%</b>

#### *Discount Rate*

The discount rate used to measure the total pension liability in the current year and prior year is 7.60%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined

## City of Owosso

### Notes to the Financial Statements

rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Changes in Net Pension Liability*

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

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
<b>Balance at December 31, 2019</b>	\$ 10,790,003	\$ 8,952,339	\$ 1,837,664
<i>Changes for the Year:</i>			
Service Cost	511,427	-	511,427
Interest on Total Pension Liability	751,518	-	751,518
Differences Between Expected and Actual Experience	36,158,635	-	36,158,635
Changes of Assumptions	299,435	-	299,435
Contributions - Employer	-	25,564,961	(25,564,961)
Contributions - Employee	-	2,857,659	(2,857,659)
Net Investment Income	-	6,810,907	(6,810,907)
Benefit Payments, Including Refunds	(2,314,615)	(2,314,615)	-
Administrative Expenses	-	(52,632)	52,632
<i>Net Changes</i>	35,406,400	32,866,280	2,540,120
<b>Balance at December 31, 2020</b>	\$ 46,196,403	\$ 41,818,619	\$ 4,377,784
		<b>Allocated to:</b>	
		Governmental Activities	\$ 3,370,893
		Business-type Activities	1,006,891
			\$ 4,377,784

#### *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 7.60%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage higher (8.60%) than the current rate:

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
Net Pension Liability of the City	\$ 9,128,852	\$ 4,377,784	\$ 359,632

## City of Owosso

### Notes to the Financial Statements

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

For the year ended June 30, 2021, the City recognized pension expense of \$(3,932,365). At June 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 4,046,751
Difference between Expected and Actual Experience	340,946	-
Changes of Assumptions	298,263	-
Employer Contributions to the Plan Subsequent to the Measurement Date*	950,704	-
<b>Total</b>	<b>\$ 1,589,913</b>	<b>\$ 4,046,751</b>
<b>Allocated as Follows:</b>		
Governmental Activities	\$ 1,224,234	\$ 3,115,998
Business-type Activities	365,679	930,753
	<b>\$ 1,589,913</b>	<b>\$ 4,046,751</b>

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2022.

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

<b>Fiscal Year Ended June 30,</b>	<b>Amount</b>
2022	\$ (710,940)
2023	(679,024)
2024	(989,493)
2025	(1,028,085)

#### ***Significant Changes to the Pension Valuation***

At the February 27, 2020, board meeting, the MERS Retirement Board adopted demographic assumptions effective with the December 31, 2020, annual actuarial valuation, which will impact contributions beginning in 2022. A 5-year experience study analyzing historical experience from 2014 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement

## City of Owosso

### Notes to the Financial Statements

Board and are effective beginning with the December 31, 2020, actuarial valuation, first impacting 2022 contributions.

#### ***Absorption of the City of Owosso Employees' Retirement Plan***

During the year ended June 30, 2021, the City of Owosso dissolved the City of Owosso Employees' Retirement Plan, a single employer defined benefit pension plan, and transferred all the assets and liabilities into the City's Municipal Employees Retirement System (MERS) defined benefit pension plan.

Changes in the City's net pension liability related to the City of Owosso Employees' Retirement Plan, a single employer defined benefit pension plan, during the measurement year were as follows:

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
<b>Balance at December 31, 2019</b>	\$ 34,688,737	\$ 30,739,312	\$ 3,949,425
<i>Changes for the Year:</i>			
Contributions - Employee	-	51,040	(51,040)
Net Investment Loss	-	(2,003,089)	2,003,089
Benefit Payments, Including Refunds	(1,102,493)	(1,102,493)	-
Administrative Expenses	-	(114,735)	114,735
Other - City Reimbursed Expenses	-	134,714	(134,714)
Dissolution of Plan	(33,586,244)	(27,704,749)	(5,881,495)
<i>Net Changes</i>	(34,688,737)	(30,739,312)	(3,949,425)
<b>Balance at December 31, 2020</b>	\$ -	\$ -	\$ -

#### **Note 10 - Construction Code Fees**

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

<b>Cumulative Surplus, Beginning of Year</b>	\$ 50,996
Add: Building and Related Permit Revenue	476,299
Less: Related Expenditures - Direct Costs	(243,427)
<b>Cumulative Surplus, End of Year</b>	<b>\$ 283,868</b>



## City of Owosso

### Notes to the Financial Statements

#### Note 11 - 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 reported in governmental funds.

Detailed information on fund balances of governmental funds is as follows:

	General	2013 General Obligation Bonds	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Advance to Component Unit	\$ 1,016,494	\$ -	\$ -	\$ 1,016,494
Inventories	69,404	-	-	69,404
<b>Total Nonspendable</b>	<b>1,085,898</b>	<b>-</b>	<b>-</b>	<b>1,085,898</b>
<b>Restricted for:</b>				
Debt Service	-	67,877	-	67,877
Revolving Loan	-	-	1,198,457	1,198,457
Streets and Highways	-	-	3,869,776	3,869,776
Historical	-	-	277,352	277,352
Building Department	283,868	-	-	283,868
Parks	52,646	-	160,083	212,729
<b>Total Restricted</b>	<b>336,514</b>	<b>67,877</b>	<b>5,505,668</b>	<b>5,910,059</b>
<b>Assigned for:</b>				
Portion of Expenditures	223,688	-	-	223,688
Building Authority	-	-	36,608	36,608
Downtown Development Authority Construction	-	-	36,291	36,291
Capital Projects	-	-	152,919	152,919
Compensated Absences	403,274	-	-	403,274
Special Assessment	100,000	-	-	100,000
Economic Development	500,000	-	-	500,000
Owosso Drain	58,110	-	-	58,110
Unfunded Pension Liability	500,000	-	-	500,000
Revenue Sharing - COVID Uncertainty	350,000	-	-	350,000
Capital Cuts	180,650	-	-	180,650
Contingencies	550,000	-	-	550,000
Street Assessments	250,000	-	-	250,000
<b>Total Assigned</b>	<b>3,115,722</b>	<b>-</b>	<b>225,818</b>	<b>3,341,540</b>
<b>Unassigned</b>	<b>3,060,729</b>	<b>-</b>	<b>-</b>	<b>3,060,729</b>
<b>Total Fund Balances</b>	<b>\$ 7,598,863</b>	<b>\$ 67,877</b>	<b>\$ 5,731,486</b>	<b>\$ 13,398,226</b>

## City of Owosso

### Notes to the Financial Statements

---

#### **Note 12 - Tax Abatement Disclosure**

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2021, the City's property taxes were reduced by \$27,448 under this program.

Obsolete property rehabilitation tax abatements are granted in the State of Michigan under Public Act 146, as amended, to encourage investment in the significant renovation and/or rehabilitation of obsolete buildings for commercial use. The obsolete property rehabilitation tax (OPRA) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. OPRA exemptions can cover only real property. Property must be functionally obsolete as determined by the City Assessor as defined in the legislation. Project must be for a project that will have a commercial or commercial housing use. 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. New taxable value in excess of the frozen taxable value is exempted from certain millages levied on real property for a period of 1-12 years. The amount of the abatement is equal to the exempted mills applied to the amount of the taxable value created by investment in the project. The applicant and the City enter into a Memorandum of Agreement, by which the applicant agrees to pay (for distribution to the various tax collecting entities) an amount equal to amount of the taxes abated, if it does not meet the job creation or private investment estimates contained in their application. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2021, the City's property taxes were reduced by \$13,807 under this program.

The Personal Property Exemption, PA 328 of 1998, (MCL 211.9) as amended, affords a 100% property tax exemption for specific businesses located within eligible distressed communities. This exemption is for all new personal property placed in the district that has been established by the City. For the year ended June 30, 2021, the City's property taxes were reduced by \$78,793 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 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

## City of Owosso

### Notes to the Financial Statements

---

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. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2021, the City's property taxes were reduced by \$88,482 under this program.

#### **Note 13 - Risk Management**

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

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

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

At June 30, 2021, the City had \$237,647 on deposit with the Authority to pay claims. Upon termination of the program, any amounts remaining on deposit after the Authority has settled all claims incurred prior to termination will be returned to the City. The City estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported.

## City of Owosso

### Notes to the Financial Statements

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

	<u>2021</u>	<u>2020</u>
<b>Unpaid Claims - Beginning of Year</b>	\$ 65,961	\$ 5,000
Incurred Claims and Adjustments (including claims incurred but not reported)	23,531	67,645
Claim Payments	<u>(79,492)</u>	<u>(6,684)</u>
<b>Unpaid Claims - End of Year</b>	10,000	65,961
Assets Held on Deposit with Authority	<u>237,647</u>	<u>274,575</u>
<b><i>Net Position - End of Year</i></b>	<u>\$ 227,647</u>	<u>\$ 208,614</u>

#### **Note 14 - Contingent Liabilities**

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

#### **Note 15 - COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted business operations. During the 2020-2021 fiscal year, the City's operations were impacted, as shelter-in-place orders and government mandates impacted census volumes. The City has moved to mitigate the impact by managing the workforce, actively managing cash balances, and implementing other cost reduction measures.

#### **Note 16 - New Accounting Pronouncement Adopted**

The City adopted the provisions of **GASB Statement No. 84, *Fiduciary Activities***, in the current year. As a result of this change, the trust agency fund was converted into a custodial fund titled current tax collection while certain payroll and escrow activities were placed into the general fund.

**City of Owosso**

Notes to the Financial Statements

---

In addition, the custodial fund now shows activity that occurred throughout the year. There was no change to the beginning fiduciary net position.

**Note 17 - Prior Period Restatement**

In the current year, the City had located long-term debt that had not been included in the financial statements of the Brownfield Redevelopment Authority, a discretely presented component unit. As such, long-term debt was understated in the fund. In order to correct this error, an adjustment was proposed to increase long-term debt by \$287,969, the balance of the Qdoba and Retail Project loan at the beginning of the fiscal year, along with net position of the same amount. The changes to beginning net position were as follows:

	<b>Brownfield Redevelopment Authority</b>	<b>Component Units</b>
<b>Net Position, Beginning of Year, as Previously Reported</b>	\$ (1,758,132)	\$ (1,568,177)
Long-term Debt not Recorded	(287,969)	(287,969)
<b><i>Net Position, Beginning of Year, as Restated</i></b>	<b><u>\$ (2,046,101)</u></b>	<b><u>\$ (1,856,146)</u></b>

## **Required Supplementary Information**

**City of Owosso**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Period Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
<b>Revenues</b>				
Property Taxes	\$ 3,629,100	\$ 3,724,100	\$ 3,713,444	\$ (10,656)
Special Assessments	25,000	25,000	19,807	(5,193)
Licenses and Permits	264,580	264,580	533,324	268,744
Intergovernmental	1,521,104	2,497,245	2,565,915	68,670
Charges for Services	1,252,000	1,125,500	1,101,263	(24,237)
Interest and Rentals	87,500	7,500	43,377	35,877
Other Revenue	842,525	864,608	927,866	63,258
<b>Total Revenues</b>	7,621,809	8,508,533	8,904,996	396,463
<b>Other Financing Sources</b>				
Sale of Fixed Assets	--	--	76,370	76,370
<b>Total Revenues and Other Financing Sources</b>	7,621,809	8,508,533	8,981,366	472,833
<b>Expenditures</b>				
<b>General Government</b>				
City Council	5,300	5,300	2,845	2,455
City Manager	226,078	230,578	225,714	4,864
Finance	274,929	274,929	272,319	2,610
Assessing	154,669	159,669	158,771	898
Attorney	117,917	122,417	121,465	952
Clerk	281,689	299,789	295,799	3,990
Human Resources	226,051	256,678	243,224	13,454
Treasurer	155,169	155,169	150,668	4,501
Information Technology	107,359	120,859	117,060	3,799
Buildings and Ground Maintenance	137,714	166,591	163,879	2,712
General Administration	312,700	832,002	828,001	4,001
<b>Total General Government</b>	1,999,575	2,623,981	2,579,745	44,236
<b>Public Safety</b>				
Police	2,197,591	2,263,427	2,090,809	172,618
Fire Department	2,058,464	2,124,300	1,948,929	175,371
Building and Code Enforcement	253,052	253,052	243,427	9,625
<b>Total Public Safety</b>	4,509,107	4,640,779	4,283,165	357,614
<b>Public Works</b>				
Department of Public Works	691,139	736,091	531,031	205,060
Leaf and Brush Collection	226,363	226,363	220,938	5,425
Parking	42,448	42,448	21,984	20,464
<b>Total Public Works</b>	959,950	1,004,902	773,953	230,949
<b>Community and Economic Development</b>				
Community Development	67,372	67,372	57,970	9,402
<b>Recreation and Culture</b>				
Parks	201,350	233,933	241,059	(7,126)
<b>Total Expenditures</b>	7,737,354	8,570,967	7,935,892	635,075
<b>Other Financing Uses</b>				
Transfers Out	108,143	167,657	246,139	(78,482)
<b>Total Expenditures and Other Financing Uses</b>	7,845,497	8,738,624	8,182,031	556,593
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	(223,688)	(230,091)	799,335	1,029,426
<b>Net Change in Fund Balance</b>	(223,688)	(230,091)	799,335	1,029,426
<b>Fund Balance at Beginning of Period</b>	6,799,528	6,799,528	6,799,528	--
<b>Fund Balance at End of Period</b>	\$ 6,575,840	\$ 6,569,437	\$ 7,598,863	\$ 1,029,426

**City of Owosso**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios\***  
**Employee's Retirement System Single Employer Pension Plan**  
**Last Seven Calendar Years**

	<u>2020**</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>							
Service Cost	\$ -	\$ 278,050	\$ 386,886	\$ 428,682	\$ 432,001	\$ 442,936	\$ 476,628
Interest on Total Pension Liability	-	2,492,464	2,640,526	2,610,296	2,532,569	2,586,834	2,525,333
Differences Between Expected and Actual Experience	-	317,147	389,613	377,079	915,114	(373,598)	345,843
Changes of Assumptions**	-	1,238,358	-	-	-	(814,031)	-
Benefit Payments, Including Refunds	(1,102,493)	(7,754,140)	(3,055,552)	(2,900,823)	(2,711,036)	(2,510,549)	(2,454,795)
Other Changes***	(33,586,244)	-	-	-	-	25,639	-
<b>Net Change in Pension Liability</b>	(34,688,737)	(3,428,121)	361,473	515,234	1,168,648	(642,769)	893,009
<i>Total Pension Liability - Beginning</i>	34,688,737	38,116,858	37,755,385	37,240,151	36,071,503	36,714,272	35,821,263
<b>Total Pension Liability - Ending (a)</b>	<u>\$ -</u>	<u>\$ 34,688,737</u>	<u>\$ 38,116,858</u>	<u>\$ 37,755,385</u>	<u>\$ 37,240,151</u>	<u>\$ 36,071,503</u>	<u>\$ 36,714,272</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ -	\$ 395,379	\$ 766,089	\$ 958,312	\$ 629,143	\$ 600,769	\$ 701,388
Contributions - Employee	51,040	176,358	210,523	214,940	234,195	238,860	221,638
Net Investment Income (Loss)	(2,003,089)	6,397,105	(2,140,430)	5,769,694	1,684,322	(8,045)	1,858,842
Benefit Payments, Including Refunds	(1,102,493)	(7,754,140)	(3,055,552)	(2,900,823)	(2,711,036)	(2,510,549)	(2,454,795)
Administrative Expenses	(114,735)	(184,096)	(166,936)	(147,227)	(155,668)	(56,618)	(36,025)
Other - City Reimbursed Expenses, Audit and Education	134,714	185,450	156,570	142,738	86,266	-	-
Other Changes***	(27,704,749)	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	(30,739,312)	(783,944)	(4,229,736)	4,037,634	(232,778)	(1,735,583)	291,048
<i>Plan Fiduciary Net Position - Beginning</i>	30,739,312	31,523,256	35,752,992	31,715,358	31,948,136	33,683,719	33,392,671
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ -</u>	<u>\$ 30,739,312</u>	<u>\$ 31,523,256</u>	<u>\$ 35,752,992</u>	<u>\$ 31,715,358</u>	<u>\$ 31,948,136</u>	<u>\$ 33,683,719</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ -	\$ 3,949,425	\$ 6,593,602	\$ 2,002,393	\$ 5,524,793	\$ 4,123,367	\$ 3,030,553
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	N/A	88.61%	82.70%	94.70%	85.16%	88.57%	91.75%
Covered Payroll	N/A	\$ 1,781,909	\$ 2,459,389	\$ 2,701,419	\$ 2,786,412	\$ 2,891,530	\$ 2,938,821
Net Pension Liability as a Percentage of Covered Payroll	N/A	221.64%	268.10%	74.12%	198.28%	142.60%	103.12%

**Notes to Schedule:**

\*Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

\*\*In the 2020-2021 fiscal year, the City's Employee's Retirement System Single Employer Pension Plan closed and all associated assets and liabilities were absorbed into the City's MERS Defined Benefit Pension Plan.



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

	<u>2021**</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	N/A	\$ 369,283	\$ 757,712	\$ 614,448	\$ 629,143	\$ 600,769	\$ 559,281
Contributions in Relation to the Actuarially Determined Contribution	N/A	395,379	766,089	958,312	629,143	600,769	559,281
Contribution Deficiency (Excess)	N/A	\$ (26,096)	\$ (8,377)	\$ (343,864)	\$ -	\$ -	\$ -
Covered Payroll	N/A	\$ 1,781,909	\$ 2,238,044	\$ 2,633,884	\$ 2,124,150	\$ 2,761,338	\$ 3,028,775
Contributions as a Percentage of Covered Payroll	N/A	22.19%	34.23%	36.38%	29.62%	21.76%	18.47%

*Notes*

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

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll for Open Groups, Dollar Level for Closed Groups
Remaining Amortization Period	N/A
Asset Valuation Method	4 Years; Smoothed
Inflation	2.50%
Salary Increases	3.00% Wage Inflation with 0.00%-13.00% Merit and Longevity Increases
Investment Rate of Return	7.25%, Net of Investment Expense, including Inflation
Retirement Age	Experience-Based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	RP-2000 Combined Healthy Mortality Table Projected to 2020 using Projection Scale AA

*\*Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.*

*\*\*In the 2020-2021 fiscal year, the City's Employee's Retirement System Single Employer Pension Plan closed and all associated assets and liabilities were absorbed into the City's MERS Defined Benefit Pension Plan.*

**City of Owosso**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios\***  
**MERS Agent Multiple-Employer Defined Benefit Pension Plan**  
**Last Seven Calendar Years**

	<u>2020***</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>							
Service Cost	\$ 511,427	\$ 206,341	\$ 58,387	\$ 60,121	\$ 58,476	\$ 59,072	\$ 56,663
Interest on Total Pension Liability	751,518	392,133	386,699	372,940	370,415	367,218	364,054
Differences Between Expected and Actual Experience	36,158,635	5,515,134	33,459	128,899	(6,914)	(109,144)	-
Changes of Assumptions**	299,435	164,399	-	-	-	203,319	-
Changes in Benefit Terms	-	-	-	7,111	5,931	50,916	-
Benefit Payments, Including Refunds	(2,314,615)	(572,986)	(396,219)	(396,218)	(398,083)	(385,997)	(381,134)
<b>Net Change in Pension Liability</b>	<u>35,406,400</u>	<u>5,705,021</u>	<u>82,326</u>	<u>172,853</u>	<u>29,825</u>	<u>185,384</u>	<u>39,583</u>
<i>Total Pension Liability - Beginning</i>	10,790,003	5,084,982	5,002,656	4,829,803	4,799,978	4,614,594	4,575,011
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 46,196,403</u>	<u>\$ 10,790,003</u>	<u>\$ 5,084,982</u>	<u>\$ 5,002,656</u>	<u>\$ 4,829,803</u>	<u>\$ 4,799,978</u>	<u>\$ 4,614,594</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 25,564,961	\$ 5,953,640	\$ 140,293	\$ 139,100	\$ 206,166	\$ 45,863	\$ 50,484
Contributions - Employee	2,857,659	85,826	42,775	43,917	45,641	59,586	59,724
Net Investment Income (Loss)	6,810,907	543,653	(122,935)	399,865	328,921	(45,980)	205,685
Benefit Payments, Including Refunds	(2,314,615)	(572,986)	(396,218)	(396,218)	(398,083)	(385,997)	(381,134)
Administrative Expenses	(52,632)	(9,039)	(6,246)	(6,346)	(6,486)	(6,899)	(7,495)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>32,866,280</u>	<u>6,001,094</u>	<u>(342,331)</u>	<u>180,318</u>	<u>176,159</u>	<u>(333,427)</u>	<u>(72,736)</u>
<i>Plan Fiduciary Net Position - Beginning</i>	8,952,339	2,951,245	3,293,576	3,113,258	2,937,099	3,270,526	3,343,262
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 41,818,619</u>	<u>\$ 8,952,339</u>	<u>\$ 2,951,245</u>	<u>\$ 3,293,576</u>	<u>\$ 3,113,258</u>	<u>\$ 2,937,099</u>	<u>\$ 3,270,526</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 4,377,784	\$ 1,837,664	\$ 2,133,737	\$ 1,709,080	\$ 1,716,545	\$ 1,862,879	\$ 1,344,068
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.52%	82.97%	58.04%	65.84%	64.46%	61.19%	70.87%
Covered Payroll	\$ 3,262,120	\$ 1,347,302	\$ 427,743	\$ 418,961	\$ 413,925	\$ 313,381	\$ 339,241
Net Pension Liability as a Percentage of Covered Payroll	134.20%	136.40%	498.84%	407.93%	414.70%	594.45%	396.20%

**Notes to Schedule:**

\*Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

\*\*The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions

\*\*\*In the 2020-2021 fiscal year, the City's Employee's Retirement System Single Employer Pension Plan closed and all associated assets and liabilities were absorbed into the City's MERS Defined Benefit Pension Plan. This is shown in the significant change in differences between expected and actual experience within the total pension liability and employer contributions within the plan fiduciary net position.

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

	<u>2021**</u>	<u>2020**</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 846,081	\$ 5,138,223	\$ 140,293	\$ 139,100	\$ 128,079	\$ 81,621	\$ 46,402
Contributions in Relation to the Actuarially Determined Contribution	1,350,383	5,953,640	140,293	139,100	128,079	81,621	46,402
Contribution Deficiency (Excess)	<u>\$ (504,302)</u>	<u>\$ (815,417)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,179,541	\$ 1,347,302	\$ 432,876	\$ 423,989	\$ 424,603	\$ 430,897	\$ 311,669
Contributions as a Percentage of Covered Payroll	42.47%	441.89%	32.41%	32.81%	30.16%	18.94%	14.89%

*Notes*

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

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	18 Years
Asset Valuation Method	10 Years; Smoothed
Inflation	2.50%
Salary Increases	3.00% Wage Inflation with 0.00%-11.00% Merit and Longevity Increases (3.75% for 2015 through 2019)
Investment Rate of Return	7.35%, Net of Investment Expense, including Inflation (7.75% for 2015 through 2019)
Retirement Age	Experience-Based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	Rates Used were Based on the Pub-2010 Group Annuity Mortality Table of a 50% Male and 50% Female Blend

*\*Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.*

*\*\*In the 2020-2021 fiscal year, the City's Employee's Retirement System Single Employer Pension Plan closed and all associated assets and liabilities were absorbed into the City's MERS Defined Benefit Pension Plan. This contributed to the significant increase in covered payroll in the 2021 fiscal year and significant increase in contributions in the 2020 fiscal year.*

**Combining and Individual Fund Statements and Schedules**

**City of Owosso  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	Special Revenue					
	Major Streets	Local Streets	Historical Fund	Housing and Redevelopment	Revolving Loan	Parks / Recreation Sites
<b>ASSETS</b>						
Cash and Investments	\$ 1,390,794	\$ 1,305,657	\$ 70,854	\$ --	\$ 396,168	\$ 164,446
Accounts Receivable, net	--	--	7	--	802,289	--
Special Assessments Receivable	--	--	--	--	--	--
Due from Other Units of Government	220,904	80,441	--	--	--	--
Due from Other Funds	--	--	501	--	--	--
<b>Total Assets</b>	<b>\$ 1,611,698</b>	<b>\$ 1,386,098</b>	<b>\$ 71,362</b>	<b>\$ --</b>	<b>\$ 1,198,457</b>	<b>\$ 164,446</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ --	\$ 664	\$ --	\$ --	\$ 4,363
Accrued Wages	195,897	100,935	699	--	--	--
Customer Deposits	2,516	2,515	--	--	--	--
<b>Total Liabilities</b>	<b>198,413</b>	<b>103,450</b>	<b>1,363</b>	<b>--</b>	<b>--</b>	<b>4,363</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	--	--	--	--	--	--
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>198,413</b>	<b>103,450</b>	<b>1,363</b>	<b>--</b>	<b>--</b>	<b>4,363</b>
<b>FUND BALANCE</b>						
Restricted	1,413,285	1,282,648	69,999	--	1,198,457	160,083
Assigned	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>1,413,285</b>	<b>1,282,648</b>	<b>69,999</b>	<b>--</b>	<b>1,198,457</b>	<b>160,083</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,611,698</b>	<b>\$ 1,386,098</b>	<b>\$ 71,362</b>	<b>\$ --</b>	<b>\$ 1,198,457</b>	<b>\$ 164,446</b>

**City of Owosso  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	<b>Special Revenue</b>					
	<u>Historical Sites</u>	<u>2019 Special Assessment</u>	<u>2020 Special Assessment</u>	<u>2021 Special Assessments</u>	<u>Downtown Facade Program</u>	<u>2018 Special Assessment</u>
<b>ASSETS</b>						
Cash and Investments	\$ 239,025	\$ --	\$ --	\$ --	\$ --	\$ --
Accounts Receivable, net	--	--	--	--	--	--
Special Assessments Receivable	--	191,049	166,663	300,363	--	389,541
Due from Other Units of Government	--	--	--	--	--	--
Due from Other Funds	--	--	--	--	--	--
<b><i>Total Assets</i></b>	<b><u>\$ 239,025</u></b>	<b><u>\$ 191,049</u></b>	<b><u>\$ 166,663</u></b>	<b><u>\$ 300,363</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 389,541</u></b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 31,672	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Wages	--	--	--	--	--	--
Customer Deposits	--	--	--	--	--	--
<b><i>Total Liabilities</i></b>	<b><u>31,672</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>--</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	--	191,049	166,663	300,363	--	389,541
<b><i>Total Liabilities and Deferred Inflows of Resources</i></b>	<b><u>31,672</u></b>	<b><u>191,049</u></b>	<b><u>166,663</u></b>	<b><u>300,363</u></b>	<b><u>--</u></b>	<b><u>389,541</u></b>
<b>FUND BALANCE</b>						
Restricted	207,353	--	--	--	--	--
Assigned	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--
<b><i>Total Fund Balance</i></b>	<b><u>207,353</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>--</u></b>	<b><u>--</u></b>
<b><i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i></b>	<b><u>\$ 239,025</u></b>	<b><u>\$ 191,049</u></b>	<b><u>\$ 166,663</u></b>	<b><u>\$ 300,363</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 389,541</u></b>

**City of Owosso  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	<b>Debt Service</b>					
	<b>2010 General Obligation Bonds</b>	<b>2012 Special Assessment Limited Tax Bonds</b>	<b>2013 Special Assessment Limited Tax Bonds</b>	<b>2016 Special Assessment Limited Tax Bonds</b>	<b>2017 Special Assessment Limited Tax Bonds</b>	<b>2009 Limited Tax General Obligation Bonds</b>
<b>ASSETS</b>						
Cash and Investments	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Accounts Receivable, net	--	--	--	--	--	--
Special Assessments Receivable	--	6,862	5,589	28,285	105,459	--
Due from Other Units of Government	--	--	--	--	--	--
Due from Other Funds	--	--	--	--	--	--
<b>Total Assets</b>	<b>\$ --</b>	<b>\$ 6,862</b>	<b>\$ 5,589</b>	<b>\$ 28,285</b>	<b>\$ 105,459</b>	<b>\$ --</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Wages	--	--	--	--	--	--
Customer Deposits	--	--	--	--	--	--
<b>Total Liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	--	6,862	5,589	28,285	105,459	--
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>--</b>	<b>6,862</b>	<b>5,589</b>	<b>28,285</b>	<b>105,459</b>	<b>--</b>
<b>FUND BALANCE</b>						
Restricted	--	--	--	--	--	--
Assigned	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ --</b>	<b>\$ 6,862</b>	<b>\$ 5,589</b>	<b>\$ 28,285</b>	<b>\$ 105,459</b>	<b>\$ --</b>

**City of Owosso  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	<b>Capital Projects</b>					
	<b>Street Capital Project Fund</b>	<b>Building Authority</b>	<b>DDA Construction Fund</b>	<b>Subdivision</b>	<b>Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>						
Cash and Investments	\$ 1,173,843	\$ 36,608	\$ 36,291	\$ --	\$ 159,120	\$ 4,972,806
Accounts Receivable, net	--	--	--	--	--	802,296
Special Assessments Receivable	--	--	--	--	--	1,193,811
Due from Other Units of Government	--	--	--	--	--	301,345
Due from Other Funds	--	--	--	--	--	501
<b>Total Assets</b>	<b>\$ 1,173,843</b>	<b>\$ 36,608</b>	<b>\$ 36,291</b>	<b>\$ --</b>	<b>\$ 159,120</b>	<b>\$ 7,270,759</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ 6,201	\$ 42,900
Accrued Wages	--	--	--	--	--	297,531
Customer Deposits	--	--	--	--	--	5,031
<b>Total Liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6,201</b>	<b>345,462</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	--	--	--	--	--	1,193,811
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6,201</b>	<b>1,539,273</b>
<b>FUND BALANCE</b>						
Restricted	1,173,843	--	--	--	--	5,505,668
Assigned	--	36,608	36,291	--	152,919	225,818
Unassigned	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>1,173,843</b>	<b>36,608</b>	<b>36,291</b>	<b>--</b>	<b>152,919</b>	<b>5,731,486</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 1,173,843</b>	<b>\$ 36,608</b>	<b>\$ 36,291</b>	<b>\$ --</b>	<b>\$ 159,120</b>	<b>\$ 7,270,759</b>



**City of Owosso**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Period Ended June 30, 2021**

	<u>Special Revenue</u>					
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Historical Fund</u>	<u>Housing and Redevelopment</u>	<u>Revolving Loan</u>	<u>Parks / Recreation Sites</u>
<b>Revenues</b>						
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 129,333
Special Assessments	413,823	147,210	--	--	--	--
Intergovernmental	1,733,354	507,208	--	--	--	5,615
Charges for Services	--	--	825	--	--	--
Interest and Rentals	85	17	13,104	--	17,645	1
Other Revenue	357	--	4,159	--	1,817	--
<b>Total Revenues</b>	<u>2,147,619</u>	<u>654,435</u>	<u>18,088</u>	<u>--</u>	<u>19,462</u>	<u>134,949</u>
<b>Expenditures</b>						
General Government	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--
Public Works	2,029,092	1,543,302	--	--	--	--
Community and Economic Development	--	--	--	73	52,281	--
Recreation and Culture	--	--	51,100	--	--	100,800
Debt Service, Principal	--	--	--	--	--	--
Debt Service, Interest	--	--	--	--	--	--
Debt Service, Bond Issuance Costs	--	--	--	--	--	--
<b>Total Expenditures</b>	<u>2,029,092</u>	<u>1,543,302</u>	<u>51,100</u>	<u>73</u>	<u>52,281</u>	<u>100,800</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>118,527</u>	<u>(888,867)</u>	<u>(33,012)</u>	<u>(73)</u>	<u>(32,819)</u>	<u>34,149</u>
<b>Other Financing Sources (Uses)</b>						
Refunding Bonds Issued	--	--	--	--	--	--
Premium on Refunding Bonds Issued	--	--	--	--	--	--
Sale of Fixed Assets	--	--	--	--	--	--
Transfers In	500,000	835,389	40,000	--	--	--
Payment to Refunding Bonds Escrow Agent	--	--	--	--	--	--
Transfers Out	(335,389)	--	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<u>164,611</u>	<u>835,389</u>	<u>40,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	<b>283,138</b>	<b>(53,478)</b>	<b>6,988</b>	<b>(73)</b>	<b>(32,819)</b>	<b>34,149</b>
<i>Fund Balance at Beginning of Period</i>	1,130,147	1,336,126	63,011	73	1,231,276	125,934
<b>Fund Balance at End of Period</b>	<b>\$ 1,413,285</b>	<b>\$ 1,282,648</b>	<b>\$ 69,999</b>	<b>\$ --</b>	<b>\$ 1,198,457</b>	<b>\$ 160,083</b>

**City of Owosso**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Period Ended June 30, 2021**

	<b>Special Revenue</b>					
	<b>Historical Sites</b>	<b>2019 Special Assessment</b>	<b>2020 Special Assessment</b>	<b>2021 Special Assessments</b>	<b>Downtown Facade Program</b>	<b>2018 Special Assessment</b>
<b>Revenues</b>						
Property Taxes	\$ 129,329	\$ --	\$ --	\$ --	\$ --	\$ --
Special Assessments	--	--	--	--	--	--
Intergovernmental	5,615	--	--	--	--	--
Charges for Services	--	--	--	--	--	--
Interest and Rentals	1	--	--	--	--	--
Other Revenue	--	--	--	--	--	--
<b>Total Revenues</b>	<b>134,945</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Expenditures</b>						
General Government	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--
Public Works	--	--	--	--	--	--
Community and Economic Development	--	--	--	--	15,178	--
Recreation and Culture	42,462	--	--	--	--	--
Debt Service, Principal	--	--	--	--	--	--
Debt Service, Interest	--	--	--	--	--	--
Debt Service, Bond Issuance Costs	--	--	--	--	--	--
<b>Total Expenditures</b>	<b>42,462</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>15,178</b>	<b>--</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>92,483</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(15,178)</b>	<b>--</b>
<b>Other Financing Sources (Uses)</b>						
Refunding Bonds Issued	--	--	--	--	--	--
Premium on Refunding Bonds Issued	--	--	--	--	--	--
Sale of Fixed Assets	--	--	--	--	--	--
Transfers In	--	--	--	--	--	--
Payment to Refunding Bonds Escrow Agent	--	--	--	--	--	--
Transfers Out	--	--	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>92,483</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(15,178)</b>	<b>--</b>
<i>Fund Balance at Beginning of Period</i>	114,870	--	--	--	15,178	--
<b>Fund Balance at End of Period</b>	<b>\$ 207,353</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>

**City of Owosso**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Period Ended June 30, 2021**

	<b>Debt Service</b>					<b>2009 Limited Tax General Obligation Bonds</b>
	<b>2010 General Obligation Bonds</b>	<b>2012 Special Assessment Limited Tax Bonds</b>	<b>2013 Special Assessment Limited Tax Bonds</b>	<b>2016 Special Assessment Limited Tax Bonds</b>	<b>2017 Special Assessment Limited Tax Bonds</b>	
<b>Revenues</b>						
Property Taxes	\$ 89,233	\$ --	\$ --	\$ --	\$ --	\$ --
Special Assessments	--	--	--	--	--	--
Intergovernmental	--	--	--	--	--	78,885
Charges for Services	--	--	--	--	--	--
Interest and Rentals	--	--	--	--	--	--
Other Revenue	--	--	--	--	--	--
<b>Total Revenues</b>	<u>89,233</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>78,885</u>
<b>Expenditures</b>						
General Government	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--
Public Works	--	--	--	--	--	--
Community and Economic Development	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	--
Debt Service, Principal	60,000	--	--	--	--	50,000
Debt Service, Interest	29,232	--	--	--	--	28,135
Debt Service, Bond Issuance Costs	12,394	--	--	--	--	27,144
<b>Total Expenditures</b>	<u>101,626</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>105,279</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(12,393)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(26,394)</u>
<b>Other Financing Sources (Uses)</b>						
Refunding Bonds Issued	546,600	--	--	--	--	475,000
Premium on Refunding Bonds Issued	79,908	--	--	--	--	62,250
Sale of Fixed Assets	--	--	--	--	--	--
Transfers In	--	--	--	--	--	--
Payment to Refunding Bonds Escrow Agent	(614,115)	--	--	--	--	(510,856)
Transfers Out	--	--	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<u>12,393</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>26,394</u>
<b>Net Change in Fund Balance</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Fund Balance at Beginning of Period</i>	--	--	--	--	--	--
<b>Fund Balance at End of Period</b>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**City of Owosso**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Period Ended June 30, 2021**

	<u>Capital Projects</u>					<b>Total Nonmajor Governmental Funds</b>
	<b>Street Capital Project Fund</b>	<b>Building Authority</b>	<b>DDA Construction Fund</b>	<b>Subdivision</b>	<b>Capital Projects</b>	
<b>Revenues</b>						
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 347,895
Special Assessments	--	--	--	--	--	561,033
Intergovernmental	--	--	--	--	--	2,330,677
Charges for Services	--	--	--	--	--	825
Interest and Rentals	1,747	--	--	--	--	32,600
Other Revenue	--	--	--	--	--	6,333
<b>Total Revenues</b>	<u>1,747</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,279,363</u>
<b>Expenditures</b>						
General Government	--	6	--	204,000	29,131	233,137
Public Safety	--	--	--	--	102,095	102,095
Public Works	1,145	--	--	--	--	3,573,539
Community and Economic Development	--	--	6	--	--	67,538
Recreation and Culture	--	--	--	--	--	194,362
Debt Service, Principal	--	--	--	--	--	110,000
Debt Service, Interest	--	--	--	--	--	57,367
Debt Service, Bond Issuance Costs	--	--	--	--	--	39,538
<b>Total Expenditures</b>	<u>1,145</u>	<u>6</u>	<u>6</u>	<u>204,000</u>	<u>131,226</u>	<u>4,377,576</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>602</u>	<u>(6)</u>	<u>(6)</u>	<u>(204,000)</u>	<u>(131,226)</u>	<u>(1,098,213)</u>
<b>Other Financing Sources (Uses)</b>						
Refunding Bonds Issued	--	--	--	--	--	1,021,600
Premium on Refunding Bonds Issued	--	--	--	--	--	142,158
Sale of Fixed Assets	--	--	--	42,332	--	42,332
Transfers In	--	--	--	78,482	103,093	1,556,964
Payment to Refunding Bonds Escrow Agent	--	--	--	--	--	(1,124,971)
Transfers Out	(1,000,000)	--	--	--	--	(1,335,389)
<b>Net Other Financing Sources (Uses)</b>	<u>(1,000,000)</u>	<u>--</u>	<u>--</u>	<u>120,814</u>	<u>103,093</u>	<u>302,694</u>
<b>Net Change in Fund Balance</b>	<b>(999,398)</b>	<b>(6)</b>	<b>(6)</b>	<b>(83,186)</b>	<b>(28,133)</b>	<b>(795,519)</b>
<i>Fund Balance at Beginning of Period</i>	2,173,241	36,614	36,297	83,186	181,052	6,527,005
<b>Fund Balance at End of Period</b>	<b>\$ 1,173,843</b>	<b>\$ 36,608</b>	<b>\$ 36,291</b>	<b>\$ --</b>	<b>\$ 152,919</b>	<b>\$ 5,731,486</b>

**City of Owosso**  
**Governmental Fund Balance Sheet / Statement of Net Position**  
**Component Unit - Brownfield Redevelopment Authority**  
**June 30, 2021**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Investments	\$ 10,487	\$ --	\$ 10,487
Inventories	65,700	--	65,700
<b>Total Assets</b>	<u>76,187</u>	<u>--</u>	<u>76,187</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accrued Interest	--	974 2	974
Current Portion of Long-term Debt	--	166,679 1	166,679
<b>Total Current Liabilities</b>	<u>--</u>	<u>167,653</u>	<u>167,653</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,814,739 1	1,814,739
<b>Total Noncurrent Liabilities</b>	<u>--</u>	<u>1,814,739</u>	<u>1,814,739</u>
<b>Total Liabilities</b>	<u>--</u>	<u>1,982,392</u>	<u>1,982,392</u>
<b>FUND BALANCE / NET POSITION</b>			
Unassigned / Unrestricted	76,187	(1,982,392)	(1,906,205)
<b>Total Fund Balance / Net Position</b>	<u>\$ 76,187</u>	<u>\$ (1,982,392)</u>	<u>\$ (1,906,205)</u>

1 - Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

2 - Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.

**City of Owosso**  
**Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balance /**  
**Statement of Activities**  
**Component Unit - Brownfield Redevelopment Authority**  
**For the Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
<b>Expenditures / Expenses</b>			
Debt Service, Principal	\$ 148,058	\$ (148,058)	1 \$ --
Debt Service, Interest	75,903	(75,903)	--
Community and Economic Development	383,263	--	383,263
Interest on Long-term Debt	--	76,877	2 76,877
<b>Total Expenditures / Expenses</b>	<u>607,224</u>	<u>(147,084)</u>	<u>460,140</u>
<b>Program Revenues</b>			
Operating Grants and Contributions	183,135	--	183,135
<b>Total Program Revenues</b>	<u>183,135</u>	<u>--</u>	<u>183,135</u>
<b>Net Program Revenues (Expenses)</b>	<u>(424,089)</u>	<u>147,084</u>	<u>(277,005)</u>
<b>General Revenues</b>			
Property Taxes	416,899	--	416,899
Investment Income	2	--	2
<b>Total General Revenues</b>	<u>416,901</u>	<u>--</u>	<u>416,901</u>
<b>Change in Fund Balance / Net Position</b>	<b>(7,188)</b>	<b>147,084</b>	<b>139,896</b>
<i>Fund Balance / Net Position at Beginning of Period (Restated, Note 17)</i>	83,375	(2,129,476)	(2,046,101)
<b>Fund Balance / Net Position at End of Period</b>	<b>\$ 76,187</b>	<b>\$ (1,982,392)</b>	<b>\$ (1,906,205)</b>

1 - Current year long-term debt principal payments are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.

2 - In the statement of activities, interest are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest.

December 29, 2021

To the City Council  
City of Owosso  
Owosso, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan (the "City") for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 6, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. There were no new accounting policies adopted and, except as stated in Note 16 to the financial statements, the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension plan are based on historical trends and industry standards.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 29, 2021.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



## **Other Matters**

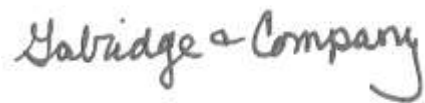
We applied certain limited procedures to the management's discussion and analysis, the pension schedules, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements and the component unit financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

## **Restriction on Use**

This information is intended solely for the use of the City Council and management of the City of Owosso and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, MI