



CITY OF OWOSSO

SHIAWASSEE COUNTY, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Owosso
Owosso, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Gabridge & Company, PLC
Grand Rapids, Michigan
November 26, 2019

Management's Discussion and Analysis

City of Owosso
Management's Discussion and Analysis
June 30, 2019

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 \$63,659,787 (net position).
- The total net position for the City is \$63,659,787. Of this amount, \$5,310,373, or 8.3%, is unrestricted and available for any City activity. The net position increased \$3,044,244 from the prior fiscal year.
- Combined program and general revenues for the primary government activities amounted to \$20,229,571. Expenses of \$17,185,327 were less than combined program and general revenues by \$3,044,244.
- The combined fund balance at year end for the City's governmental funds was \$15,258,004. This was an increase of \$3,648,056 from the prior fiscal year.
- General fund revenues exceeded expenditures and other financing uses by \$439,331, causing the general fund's fund balance to increase accordingly.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As mentioned earlier, net position provides useful benchmarks in determining overall financial position. The City of Owosso's combined net position is \$63,659,787.

City of Owosso's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 15,409,944	\$ 13,010,657	\$ 3,050,168	\$ 3,231,275	\$ 18,460,112	\$ 16,241,932
Receivables, net	1,490,055	1,113,618	1,557,327	1,395,759	3,047,382	2,509,377
Due from Other Governments	1,267,158	616,313	206,711	-	1,473,869	616,313
Inventories and Prepaid Expenses	72,761	239,072	74,081	179,136	146,842	418,208
Land Held for Sale	206,000	236,000	-	-	206,000	236,000
Other Assets	261,038	150,923	-	-	261,038	150,923
Total Current Assets	18,706,956	15,366,583	4,888,287	4,806,170	23,595,243	20,172,753
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	1,472,629	2,460,527	1,472,629	2,460,527
Advance to Component Units	1,133,812	1,155,365	682,971	695,958	1,816,783	1,851,323
Capital Assets, Net	40,483,953	37,613,097	18,450,204	17,292,067	58,934,157	54,905,164
Total Assets	60,324,721	54,135,045	25,494,091	25,254,722	85,818,812	79,389,767
DEFERRED OUTFLOWS OF RESOURCES						
Pension-related Deferrals	3,681,247	1,362,671	1,007,750	400,858	4,688,997	1,763,529
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	868,322	1,674,619	557,440	1,024,018	1,425,762	2,698,637
Accrued Wages and Liabilities	338,610	223,455	228,354	221,855	566,964	445,310
Current Portion of Compensated Absences	90,494	84,363	24,932	25,187	115,426	109,550
Current Portion of Long-term Debt	510,000	421,435	560,575	532,745	1,070,575	954,180
Internal Balances	112,187	-	(112,187)	-	-	-
Total Current Liabilities	1,919,613	2,403,872	1,259,114	1,803,805	3,178,727	4,207,677
<i>Noncurrent Liabilities</i>						
Compensated Absences	271,483	253,090	74,795	75,562	346,278	328,652
Long-term Debt	11,240,000	6,650,000	3,242,559	3,803,134	14,482,559	10,453,134
Net Pension Liability	6,990,852	3,210,875	1,736,485	500,598	8,727,337	3,711,473
Total Liabilities	20,421,948	12,517,837	6,312,953	6,183,099	26,734,901	18,700,936
DEFERRED INFLOWS OF RESOURCES						
Pension-related Deferrals	83,329	1,391,788	29,792	445,029	113,121	1,836,817
NET POSITION						
Net Investment in Capital Assets	33,833,953	30,541,662	14,647,070	12,956,188	48,481,023	43,497,850
Restricted	8,220,257	5,070,542	1,648,134	2,286,399	9,868,391	7,356,941
Unrestricted	1,446,481	5,975,887	3,863,892	3,784,865	5,310,373	9,760,752
Total Net Position	\$43,500,691	\$41,588,091	\$20,159,096	\$19,027,452	\$63,659,787	\$60,615,543

Further review of the net position indicates that they are divided into three parts. The largest part, \$48,481,023 or 76.2%, is the net investment in capital assets (land, buildings, machinery and equipment) which cannot be readily liquidated or available for future spending. The second part is restricted net position, which are subject to external restrictions on how they may be used. Finally, the last part is unrestricted net position which can be used for ongoing obligations or new activities.

Governmental Activities

Cash and investments increased by \$2,399,287 as it was similar to the overall increase in fund balance. Receivables increased by \$376,437 largely a result of \$404,133 in industrial park special

assessment issued during the year. Due from other governments increased by \$650,845 with \$347,062 due from Michigan Department of Transportation for grant reimbursement related to East Oliver Street reconstruction and another \$128,883 for Washington Street reconstruction. Inventories and prepaid expenses decreased by \$166,311 largely in part due to \$281,250 of deposits for MDOT being used during the year for street projects. Other assets increased by \$110,115 from an increase in the member retention fund balance of the City's self-insurance plan. Capital assets increased by \$2,870,856, consisting of \$4,947,659 in additions, depreciation expense of \$2,072,535, and net disposal of \$4,268.

Accounts payable decreased by \$806,927 with the majority relating to having less year-end construction billings payable compared to the prior year. Accrued interest increased by \$115,155 due to interest related to a new bond.

Business-type Activities

Due from other governments increased to \$206,711, being the receivable for PILOT drinking water grant. Significant expenses incurred by the Owosso Mid-Shiawassee County Wastewater Treatment Plant reduced the amount of restricted care by \$987,898. Capital assets increased by \$1,158,137, comprising of capital additions of \$1,906,992 and depreciation expense of \$748,855. Accounts payable decreased by \$466,578 due to less year-end construction billings payable compared to the prior year.

Net pension liability and related deferrals for both governmental activities and business-type activities increased as a result of poor market performance causing significant investment losses that will be deferred during the next five years.

Governmental Activities

Charges for services increased by \$629,062 with key increases from medical marijuana licensing fees received for lottery drawing and special assessments. Operating grants and contributions increased by \$807,525, primarily comprising of \$187,320 of PA 2017 operating grant received from MDOT, \$158,709 received for paving, and \$458,876 received for Façade improvements made during the year. Investment income increased by \$199,366 as the City actively invested available funds in the current year achieving better returns. Changes within expenses were primarily a result of the significant changes in pension.

Business-type Activities

Charges for services increased by \$893,787 as a result of a 13.5% increase in utility rates passed during the year. Capital grants and contributions increased by \$303,179, largely as a result of \$465,467 PILOT drinking water grant received during the year. Investment income increased by \$91,213 as the City actively invested available funds in the current year achieving better returns. Water supply expenses increased by \$560,893 with roughly \$120,000 of additional costs incurred for water main breaks compared to the prior year and another \$200,000 of additional expense recognized for pension expense. Depreciation expense increased due to new equipment being placed into service.

City of Owosso's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenue						
Program Revenues						
Charges for Services	\$ 2,404,989	\$ 1,775,927	\$ 7,473,662	\$ 6,579,875	\$ 9,878,651	\$ 8,355,802
Operating Grants and Contributions	3,045,654	2,238,129	-	362,147	3,045,654	2,600,276
Capital Grants and Contributions	601,793	470,963	465,467	162,288	1,067,260	633,251
Total Program Revenues	6,052,436	4,485,019	7,939,129	7,104,310	13,991,565	11,589,329
General Revenues						
Property Taxes	3,997,059	3,836,858	80,748	78,062	4,077,807	3,914,920
Intergovernmental	1,807,463	1,749,160	-	-	1,807,463	1,749,160
Miscellaneous	-	254,350	-	-	-	254,350
Investment Income	233,859	34,493	118,877	27,664	352,736	62,157
Total General Revenues and Transfers	6,038,381	5,874,861	199,625	105,726	6,238,006	5,980,587
Total Revenues	12,090,817	10,359,880	8,138,754	7,210,036	20,229,571	17,569,916
Expenses						
General Government	1,466,985	1,305,226	-	-	1,466,985	1,305,226
Public Safety	4,131,626	4,261,514	-	-	4,131,626	4,261,514
Public Works	3,441,225	2,486,437	-	-	3,441,225	2,486,437
Community and Economic Development	422,043	183,440	-	-	422,043	183,440
Recreation and Culture	375,685	352,473	-	-	375,685	352,473
Interest on Long-term Debt	340,653	210,583	-	-	340,653	210,583
Water Supply	-	-	3,071,684	2,510,791	3,071,684	2,510,791
Sewage Disposal	-	-	1,899,024	1,820,158	1,899,024	1,820,158
Wastewater Treatment	-	-	1,961,087	1,800,700	1,961,087	1,800,700
Transportation	-	-	75,315	33,406	75,315	33,406
Total Expenses	10,178,217	8,799,673	7,007,110	6,165,055	17,185,327	14,964,728
Change in Net Position	1,912,600	1,560,207	1,131,644	1,044,981	3,044,244	2,605,188
<i>Net Position at the Beginning of Period</i>	<i>41,588,091</i>	<i>40,027,884</i>	<i>19,027,452</i>	<i>17,982,471</i>	<i>60,615,543</i>	<i>58,010,355</i>
Net Position at the End of Period	\$ 43,500,691	\$ 41,588,091	\$ 20,159,096	\$ 19,027,452	\$ 63,659,787	\$ 60,615,543

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 \$15,258,004. More detail on available, spendable balances can be found in the notes to these financial statements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$6,825,847, an increase of \$439,331. Unassigned fund balance of \$2,730,191 was 39.2% of expenditures and transfers out while total fund balance of \$6,825,847 was 97.9% of expenditures and transfers out. The reasons for the changes in comparison to the prior year is explained in an earlier section of this report.

The major streets fund balance decreased by \$305,197 to \$1,158,858. The decrease is a result of increased road maintenance and improvement expenditures during the year.

The local streets fund balance increased by \$169,846 to \$457,779. The increase is a result of \$1,137,385 in transfers received from other funds.

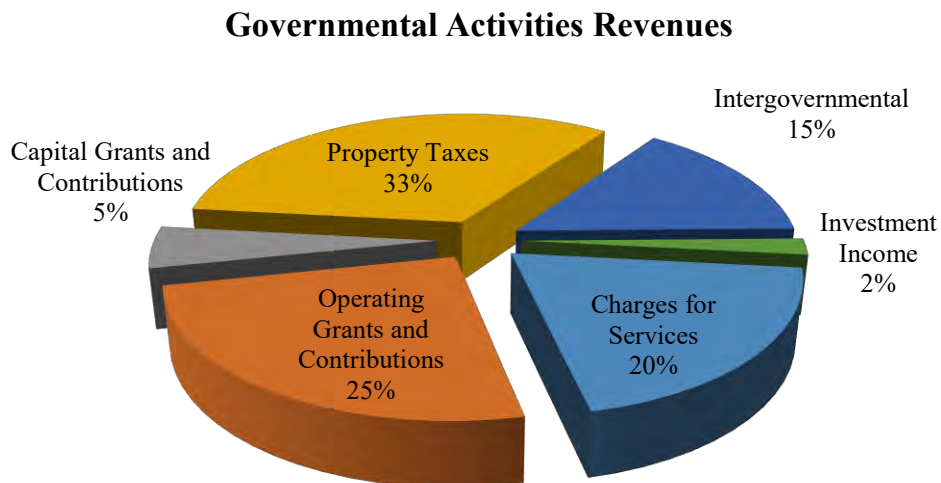
The streets capital projects fund balance increased by \$3,069,211 to \$5,086,870 as a result of a new bond issuance in the amount of \$5,100,000.

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

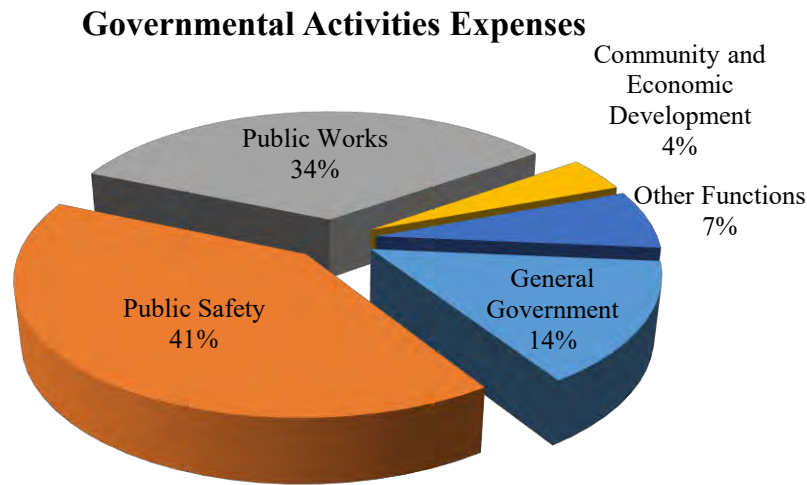
The proprietary funds of the City are comprised of the water supply system, sewage disposal system, wastewater treatment system and transportation funds. The water supply system fund’s net position increased by \$1,544,107 to \$12,032,125. The sewage disposal system fund’s net position decreased \$367,248 to \$3,785,247. The wastewater treatment system fund’s net position decreased \$50,924 to \$4,283,105. The descriptions for the changes were described 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 the budget amendments were relatively minor.

Final budget compared to actual results. The City had the following expenditures in excess of the amounts appropriated during the year:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Clerk	\$ 186,503	\$ 193,705	\$ (7,202)
Human Resources	142,790	147,316	(4,526)
Building and Code Enforcement	228,120	229,480	(1,360)
Public Works	548,288	577,786	(29,498)
Leaf and Brush Collection	221,143	222,622	(1,479)

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$58,934,157 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, and equipment, vehicles, and water and sewer infrastructure. The following summarizes the City's capital assets:

	Governmental Activities	Business-type Activities	Total Primary Government
Land	\$ 4,559,913	\$ 467,304	\$ 5,027,217
Construction in Progress	790,314	371,865	1,162,179
Roads and Sidewalks	56,570,536	-	56,570,536
Land Improvements	3,655,103	-	3,655,103
Buildings and Improvements	2,860,343	13,245,205	16,105,548
Vehicles	4,673,377	1,540,646	6,214,023
Office Furnishings	1,367,139	-	1,367,139
Machinery and Equipment	2,535,514	12,353,816	14,889,330
Improvements, other than Buildings	-	15,461,068	15,461,068
<i>Total Capital Assets</i>	<u>77,012,239</u>	<u>43,439,904</u>	<u>120,452,143</u>
Less: Accumulated Depreciation	36,528,286	24,989,700	61,517,986
Capital Assets, Net	<u>\$ 40,483,953</u>	<u>\$ 18,450,204</u>	<u>\$ 58,934,157</u>

Long-term Debt

At the end of the current fiscal year, the City had \$11,750,000 in bonds outstanding, exclusive of compensated absences, for governmental activities and \$3,803,134 in bonds outstanding, exclusive of compensated absences, for business-type activities. Governmental activities long-term debt decreased \$421,435 while business-type activities long-term debt decreased \$532,745.

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 2019-2020 budget for the general fund projects stable revenues for the year, \$7,059,682 in total with matching total expenditures and transfers out. For comparison, the City's 2019 general fund actual results were as follows: total revenues of \$7,411,362, total expenditures of \$6,580,191 and transfers out of \$391,840.

The 2019-2020 budget leaves the City with no decrease in the general fund balance. The City of Owosso will continue to monitor closely its capital needs, debt service requirements, and upcoming projects as they relate to the budget and projected revenue streams.

Requests for Information

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

Basic Financial Statements

**City of Owosso
Statement of Net Position
June 30, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 15,409,944	\$ 3,050,168	\$ 18,460,112	\$ 139,859
Accounts Receivable	573,739	1,557,327	2,131,066	48,605
Special Assessments Receivable	916,316	--	916,316	--
Due from Other Governments	1,267,158	206,711	1,473,869	68,101
Inventories	63,211	74,081	137,292	65,700
Prepays	9,550	--	9,550	--
Land Held for Sale	206,000	--	206,000	--
Other Assets	261,038	--	261,038	--
Total Current Assets	18,706,956	4,888,287	23,595,243	322,265
<i>Noncurrent Assets</i>				
Restricted Cash and Investments	--	1,472,629	1,472,629	--
Capital Assets not Being Depreciated	5,350,227	839,169	6,189,396	--
Capital Assets Being Depreciated, Net	35,133,726	17,611,035	52,744,761	--
Advance to Component Unit	1,133,812	682,971	1,816,783	--
Total Assets	60,324,721	25,494,091	85,818,812	322,265
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferrals	3,681,247	1,007,750	4,688,997	--
Total Deferred Outflows of Resources	3,681,247	1,007,750	4,688,997	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	868,322	557,440	1,425,762	13,672
Accrued Liabilities	132,597	175,967	308,564	--
Due to Other Governments	--	--	--	65,700
Accrued Wages	206,013	52,387	258,400	--
Current Portion of Compensated Absences	90,494	24,932	115,426	--
Current Portion of Long-term Debt	510,000	560,575	1,070,575	124,759
Internal Balances	112,187	(112,187)	--	--
Total Current Liabilities	1,919,613	1,259,114	3,178,727	204,131
<i>Noncurrent Liabilities</i>				
Compensated Absences	271,483	74,795	346,278	--
Long-term Debt	11,240,000	3,242,559	14,482,559	1,821,765
Net Pension Liabilities	6,990,852	1,736,485	8,727,337	--
Total Liabilities	20,421,948	6,312,953	26,734,901	2,025,896
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferrals	83,329	29,792	113,121	--
Total Deferred Inflows of Resources	83,329	29,792	113,121	--
NET POSITION				
Net Investment in Capital Assets	33,833,953	14,647,070	48,481,023	--
<i>Restricted for:</i>				
Debt Service	807	612,565	613,372	--
Revolving Loan	1,273,670	--	1,273,670	--
Housing and Redevelopment	59	--	59	--
Streets	6,703,507	--	6,703,507	--
Historical	55,266	--	55,266	--
Improvement and Replacement	--	1,035,569	1,035,569	--
Downtown Facade	185,298	--	185,298	--
Recreation	1,650	--	1,650	--
<i>Unrestricted</i>	1,446,481	3,863,892	5,310,373	(1,703,631)
Total Net Position	\$ 43,500,691	\$ 20,159,096	\$ 63,659,787	\$ (1,703,631)

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

**City of Owosso
Statement of Activities
For the year Ended June 30, 2019**

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	
Primary Government								
Governmental Activities:								
General Government	\$ 1,466,985	\$ 435,354	\$ 78,285	\$ --	\$ (953,346)	\$ --	\$ (953,346)	\$ --
Public Safety	4,131,626	1,239,694	2,766	--	(2,889,166)	--	(2,889,166)	--
Public Works	3,441,225	700,677	2,443,447	556,793	259,692	--	259,692	--
Community and Economic Development	422,043	16,668	484,417	--	79,042	--	79,042	--
Recreation and Culture	375,685	12,596	36,739	45,000	(281,350)	--	(281,350)	--
Interest on Long-term Debt	340,653	--	--	--	(340,653)	--	(340,653)	--
Total Governmental Activities	10,178,217	2,404,989	3,045,654	601,793	(4,125,781)	--	(4,125,781)	--
Business-type Activities:								
Transportation Fund	75,315	--	--	--	--	(75,315)	(75,315)	--
Sewage Disposal System	1,899,024	1,877,147	--	--	--	(21,877)	(21,877)	--
Water Supply System	3,071,684	3,721,928	--	465,467	--	1,115,711	1,115,711	--
Wastewater Treatment System	1,961,087	1,874,587	--	--	--	(86,500)	(86,500)	--
Total Business-type Activities	7,007,110	7,473,662	--	465,467	--	932,019	932,019	--
Total Primary Government	\$ 17,185,327	\$ 9,878,651	\$ 3,045,654	\$ 1,067,260	\$ (4,125,781)	\$ 932,019	\$ (3,193,762)	--
Component Units								
Brownfield Redevelopment Authority	\$ 209,707	\$ --	\$ 5,172	\$ --	--	--	--	(204,535)
Downtown Development Authority	307,043	--	19,890	--	--	--	--	(287,153)
Total Component Units	\$ 516,750	\$ --	\$ 25,062	\$ --	--	--	--	(491,688)
General Purpose Revenues and Transfers:								
Revenues								
Investment Income					233,859	118,877	352,736	18
Intergovernmental					1,807,463	--	1,807,463	22,532
Miscellaneous					--	--	--	50,088
Property Taxes					3,997,059	80,748	4,077,807	500,122
Transfers					--	--	--	--
Total General Revenues and Transfers					6,038,381	199,625	6,238,006	572,760
Change in Net Position					1,912,600	1,131,644	3,044,244	81,072
<i>Net Position at Beginning of Period</i>					41,588,091	19,027,452	60,615,543	(1,784,703)
Net Position at End of Period					\$ 43,500,691	\$ 20,159,096	\$ 63,659,787	\$ (1,703,631)

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

**City of Owosso
Balance Sheet
Governmental Funds
June 30, 2019**

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Street Capital Project Fund</u>		
ASSETS						
Cash and Investments	\$ 5,226,461	\$ 884,108	\$ 545,316	\$ 5,086,870	\$ 1,536,122	\$ 13,278,877
Accounts Receivable	297,480	--	--	--	272,207	569,687
Special Assessments Receivable	137,776	--	--	--	778,540	916,316
Due from Other Governments	390,369	600,532	129,938	--	146,319	1,267,158
Inventories	63,211	--	--	--	--	63,211
Prepays	--	--	--	--	9,550	9,550
Land Held for Sale	--	--	--	--	206,000	206,000
Due from Other Funds	224,395	--	--	--	--	224,395
Advance to Component Unit	1,133,812	--	--	--	--	1,133,812
Total Assets	<u>\$ 7,473,504</u>	<u>\$ 1,484,640</u>	<u>\$ 675,254</u>	<u>\$ 5,086,870</u>	<u>\$ 2,948,738</u>	<u>\$ 17,669,006</u>
LIABILITIES						
Accounts Payable	\$ 178,724	\$ 125,256	\$ 215,316	\$ --	\$ 300,190	\$ 819,486
Accrued Liabilities	--	--	--	--	2,482	2,482
Accrued Wages	197,813	2,159	2,159	--	2,026	204,157
Due to Other Funds	1,378	198,367	--	--	136,859	336,604
Total Liabilities	<u>377,915</u>	<u>325,782</u>	<u>217,475</u>	<u>--</u>	<u>441,557</u>	<u>1,362,729</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	269,742	--	--	--	778,531	1,048,273
Total Liabilities and Deferred Inflows of Resources	<u>647,657</u>	<u>325,782</u>	<u>217,475</u>	<u>--</u>	<u>1,220,088</u>	<u>2,411,002</u>
FUND BALANCE						
Nonspendable	1,197,023	--	--	--	9,550	1,206,573
Restricted	1,650	1,158,858	457,779	5,086,870	1,515,100	8,220,257
Assigned	2,896,983	--	--	--	204,000	3,100,983
Unassigned	2,730,191	--	--	--	--	2,730,191
Total Fund Balance	<u>6,825,847</u>	<u>1,158,858</u>	<u>457,779</u>	<u>5,086,870</u>	<u>1,728,650</u>	<u>15,258,004</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 7,473,504</u>	<u>\$ 1,484,640</u>	<u>\$ 675,254</u>	<u>\$ 5,086,870</u>	<u>\$ 2,948,738</u>	<u>\$ 17,669,006</u>

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, 2019

Total Fund Balance - Governmental Funds	\$	15,258,004
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.		3,570,776
Assets held on deposit with the MMRMA for self insurance are not current financial resources, and therefore are not reported in the fund statement.		256,038
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statement.		38,886,296
The focus of governmental funds is on short-term financing. Accordingly, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows in the governmental funds, and thus are not included in fund balance.		1,048,273
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		(3,286,851)
Certain liabilities, such as bonds payable, accrued interest, and compensated absences, are not due and payable in the current period, and therefore are not reported in the funds.		(12,231,845)
Total Net Position - Governmental Activities	\$	<u>43,500,691</u>

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

City of Owosso
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the year Ended June 30, 2019

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Other</u>	<u>Total Governmental</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Street Capital Project Fund</u>	<u>Funds</u>	<u>Funds</u>
Revenues						
Property Taxes	\$ 3,493,937	\$ --	\$ --	\$ --	\$ 503,122	\$ 3,997,059
Licenses and Permits	504,330	--	--	--	--	504,330
Intergovernmental	1,852,463	1,749,232	628,782	--	247,602	4,478,079
Charges for Services	1,144,394	--	--	--	8,100	1,152,494
Sales	--	--	--	--	4,496	4,496
Special Assessments	83,643	294,525	84,391	--	--	462,559
Interest	155,789	5,135	3,237	32,230	16,022	212,413
Miscellaneous	176,806	--	--	--	397,759	574,565
Total Revenues	<u>7,411,362</u>	<u>2,048,892</u>	<u>716,410</u>	<u>32,230</u>	<u>1,177,101</u>	<u>11,385,995</u>
Expenditures						
General Government	1,275,298	--	--	--	26,080	1,301,378
Public Safety	4,034,440	--	--	--	21,722	4,056,162
Public Works	833,297	3,239,172	1,683,949	40,551	--	5,796,969
Community and Economic Development	103,588	--	--	--	314,426	418,014
Recreation and Culture	333,568	--	--	--	96,833	430,401
Debt Service - Principal	--	--	--	--	355,000	355,000
Debt Service - Interest	--	--	--	--	225,816	225,816
Capital Outlay	--	--	--	--	254,199	254,199
Total Expenditures	<u>6,580,191</u>	<u>3,239,172</u>	<u>1,683,949</u>	<u>40,551</u>	<u>1,294,076</u>	<u>12,837,939</u>
Excess of Revenues Over (Under) Expenditures	<u>831,171</u>	<u>(1,190,280)</u>	<u>(967,539)</u>	<u>(8,321)</u>	<u>(116,975)</u>	<u>(1,451,944)</u>
Other Financing Sources (Uses)						
Proceeds from Bond Issuance	--	--	--	5,100,000	--	5,100,000
Transfers In	--	1,246,935	1,137,385	--	408,900	2,793,220
Transfers Out	(391,840)	(361,852)	--	(2,022,468)	(17,060)	(2,793,220)
Net Other Financing Sources (Uses)	<u>(391,840)</u>	<u>885,083</u>	<u>1,137,385</u>	<u>3,077,532</u>	<u>391,840</u>	<u>5,100,000</u>
Net Change in Fund Balance	<u>439,331</u>	<u>(305,197)</u>	<u>169,846</u>	<u>3,069,211</u>	<u>274,865</u>	<u>3,648,056</u>
Fund Balance at Beginning of Period	6,386,516	1,464,055	287,933	2,017,659	1,453,785	11,609,948
Fund Balance at End of Period	<u>\$ 6,825,847</u>	<u>\$ 1,158,858</u>	<u>\$ 457,779</u>	<u>\$ 5,086,870</u>	<u>\$ 1,728,650</u>	<u>\$ 15,258,004</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 year Ended June 30, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	3,648,056
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.		197,619
The issuance of bonds payable are reported an available resource (other financing source) in the fund financial statements. However, they are reported as an increase in long-term debt on the government-wide financial statements. This represents bond proceeds received during the year.		(5,100,000)
Change in net position held with an agent for self-insurance.		105,215
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		2,465,944
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.		505,542
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Changes within compensated absences and accrued interest are not included in governmental funds, but are reductions in long-term liabilities in the statement of net position.		218,798
Change in the City's net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the statement of activities.		(128,574)
Changes in Net Position - Governmental Activities	\$	<u>1,912,600</u>

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

**City of Owosso
Statement of Net Position
Proprietary Funds
June 30, 2019**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Fund (Nonmajor)	Total Enterprise Funds	
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 2,161,892	\$ --	\$ 829,657	\$ 58,619	\$ 3,050,168	\$ 2,131,067
Accounts Receivable	531,150	1,020,036	6,141	--	1,557,327	4,052
Due from Other Governments	--	206,711	--	--	206,711	--
Inventories	--	74,081	--	--	74,081	--
Due from Other Funds	9,937	189,786	--	--	199,723	22
Total Current Assets	2,702,979	1,490,614	835,798	58,619	5,088,010	2,135,141
<i>Noncurrent Assets</i>						
Restricted Cash and Investments	--	612,565	860,064	--	1,472,629	--
Capital Assets not Being Depreciated	79,800	759,369	--	--	839,169	--
Capital Assets Being Depreciated, Net Advance to Component Unit	1,684,394	12,679,105	3,247,536	--	17,611,035	1,597,657
	--	682,971	--	--	682,971	--
Total Assets	4,467,173	16,224,624	4,943,398	58,619	25,693,814	3,732,798
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related Deferrals	143,502	395,421	468,827	--	1,007,750	140,939
Total Deferred Outflows of Resources	143,502	395,421	468,827	--	1,007,750	140,939
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	117,125	190,499	249,816	--	557,440	43,836
Accrued Liabilities	2,699	173,268	--	--	175,967	--
Accrued Wages	6,378	27,298	18,711	--	52,387	1,856
Current Portion of Compensated Absences	3,981	11,230	9,721	--	24,932	2,562
Current Portion of Long-term Debt	40,000	520,575	--	--	560,575	--
Due to Other Funds	--	87,536	--	--	87,536	--
Total Current Liabilities	170,183	1,010,406	278,248	--	1,458,837	48,254
<i>Noncurrent Liabilities</i>						
Compensated Absences	11,942	33,690	29,163	--	74,795	7,685
Long-term Debt	391,786	2,850,773	--	--	3,242,559	--
Net Pension Liabilities	247,274	681,362	807,849	--	1,736,485	242,856
Total Liabilities	821,185	4,576,231	1,115,260	--	6,512,676	298,795
DEFERRED INFLOWS OF RESOURCES						
Pension Related Deferrals	4,243	11,689	13,860	--	29,792	4,166
Total Deferred Inflows of Resources	4,243	11,689	13,860	--	29,792	4,166
NET POSITION						
Net Investment in Capital Assets	1,332,408	10,067,126	3,247,536	--	14,647,070	1,597,657
<i>Restricted for:</i>						
Debt Service	--	612,565	--	--	612,565	--
Improvement and Replacement	--	--	1,035,569	--	1,035,569	--
<i>Unrestricted</i>	2,452,839	1,352,434	--	58,619	3,863,892	1,973,119
Total Net Position	\$ 3,785,247	\$ 12,032,125	\$ 4,283,105	\$ 58,619	\$ 20,159,096	\$ 3,570,776

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

City of Owosso
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year Ended June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Fund (Nonmajor)	Internal Service Fund
Operating Revenues					
Charges for Services	\$ 1,870,817	\$ 3,720,448	\$ 1,872,054	\$ --	\$ 7,463,319
Total Operating Revenues	<u>1,870,817</u>	<u>3,720,448</u>	<u>1,872,054</u>	<u>--</u>	<u>7,463,319</u>
Operating Expenses					
Personnel Services	194,318	1,079,502	788,023	--	2,061,843
Administrative and Engineering Services	88,155	204,734	191,667	--	484,556
Contractual and Professional Services	184,936	42,356	17,402	75,315	320,009
Supplies and Chemicals	11,767	206,221	104,324	--	322,312
Utilities	3,472	167,357	237,332	--	408,161
Insurance	9,903	42,582	37,845	--	90,330
Maintenance	52,138	777,601	334,570	--	1,164,309
Plant Charges	1,292,172	--	--	--	1,292,172
Depreciation	50,618	448,313	249,924	--	748,855
Total Operating Expenses	<u>1,887,479</u>	<u>2,968,666</u>	<u>1,961,087</u>	<u>75,315</u>	<u>6,892,547</u>
Operating Income (Loss)	<u>(16,662)</u>	<u>751,782</u>	<u>(89,033)</u>	<u>(75,315)</u>	<u>570,772</u>
Non-Operating Revenues (Expenses)					
Investment Income	34,629	48,396	35,576	276	118,877
Reimbursement and Miscellaneous	6,330	1,480	2,533	--	10,343
Property Taxes	--	--	--	80,748	80,748
Interest Expense	(11,545)	(103,018)	--	--	(114,563)
Net Non-Operating Revenues (Expenses)	<u>29,414</u>	<u>(53,142)</u>	<u>38,109</u>	<u>81,024</u>	<u>95,405</u>
Income Before Contributions and Transfers	<u>12,752</u>	<u>698,640</u>	<u>(50,924)</u>	<u>5,709</u>	<u>666,177</u>
Capital Contributions	--	465,467	--	--	465,467
Transfers In	--	380,000	--	--	380,000
Transfers Out	(380,000)	--	--	--	(380,000)
Change In Net Position	<u>(367,248)</u>	<u>1,544,107</u>	<u>(50,924)</u>	<u>5,709</u>	<u>1,131,644</u>
<i>Net Position at Beginning of Period</i>	4,152,495	10,488,018	4,334,029	52,910	19,027,452
Net Position at End of Period	<u>\$ 3,785,247</u>	<u>\$ 12,032,125</u>	<u>\$ 4,283,105</u>	<u>\$ 58,619</u>	<u>\$ 20,159,096</u>

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

City of Owosso
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds					Governmental Activities
	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Transportation Fund (Nonmajor)	Total	Internal Service Fund
Cash Flows from Operating Activities						
Cash Received from Customers	\$ 1,872,738	\$ 3,563,100	\$ 1,865,913	\$ -	\$ 7,301,751	\$ 770,925
Cash Payments to Employees for Services and Fringe Benefits	(148,960)	(972,498)	(725,156)	-	(1,846,614)	(132,296)
Cash Payments to Suppliers for Goods and Services	(1,563,442)	(2,152,142)	(852,685)	(75,315)	(4,643,584)	(292,115)
Net Cash Provided (Used) by Operating Activities	<u>160,336</u>	<u>438,460</u>	<u>288,072</u>	<u>(75,315)</u>	<u>811,553</u>	<u>346,514</u>
Cash Flows from Non-capital and Related Financing Activities						
Property Taxes	-	-	-	80,748	80,748	-
Other Non-capital Related Revenues	6,330	1,480	2,533	-	10,343	-
Changes in Advance to Component Unit	-	12,987	-	-	12,987	-
Changes in Interfund Balances	(9,937)	(102,250)	-	-	(112,187)	(22)
Transfer In (Out)	(380,000)	380,000	-	-	-	-
Net Cash Provided (Used) by Non-capital and Related Financing Activities	<u>(383,607)</u>	<u>292,217</u>	<u>2,533</u>	<u>80,748</u>	<u>(8,109)</u>	<u>(22)</u>
Cash Flows from Capital and Related Financing Activities						
Interest Payments on Long-term Debt	(11,795)	(105,261)	-	-	(117,056)	(1,661)
Principal Payments on Long-term Debt	(40,000)	(492,745)	-	-	(532,745)	(66,435)
Capital Contributions	-	465,467	-	-	465,467	-
Capital Asset Purchases	(96,566)	(1,110,637)	(699,789)	-	(1,906,992)	(684,620)
Net Cash Used by Capital and Related Financing Activities	<u>(148,361)</u>	<u>(1,243,176)</u>	<u>(699,789)</u>	<u>-</u>	<u>(2,091,326)</u>	<u>(752,716)</u>
Cash Flows from Investing Activities						
Investment Income	34,629	48,396	35,576	276	118,877	21,446
Net Cash Provided by Investing Activities	<u>34,629</u>	<u>48,396</u>	<u>35,576</u>	<u>276</u>	<u>118,877</u>	<u>21,446</u>
Net Increase (Decrease) in Cash and Equivalents	(337,003)	(464,103)	(373,608)	5,709	(1,169,005)	(384,778)
<i>Cash and Equivalents - Beginning of Year</i>	2,498,895	1,076,668	2,063,329	52,910	5,691,802	2,515,845
Cash and Equivalents - End of Year	<u>\$ 2,161,892</u>	<u>\$ 612,565</u>	<u>\$ 1,689,721</u>	<u>\$ 58,619</u>	<u>\$ 4,522,797</u>	<u>\$ 2,131,067</u>

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

**City of Owosso
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019**

	<u>Business-type Activities - Enterprise Funds</u>					<u>Governmental Activities</u>
	<u>Sewage Disposal System</u>	<u>Water Supply System</u>	<u>Wastewater Treatment System</u>	<u>Transportation Fund (Nonmajor)</u>	<u>Total</u>	<u>Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating Income (Loss)	\$ (16,662)	\$ 751,782	\$ (89,033)	\$ (75,315)	\$ 570,772	\$ 177,834
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation Expense	50,618	448,313	249,924	-	748,855	279,708
Changes in Assets and Liabilities						
Accounts Receivable	1,921	(157,348)	(6,141)	-	(161,568)	(2,591)
Due from Other Governments	-	(206,711)	-	-	(206,711)	-
Inventories and Prepaid Expenses	-	105,055	-	-	105,055	-
Accounts Payable	79,037	(617,156)	71,541	-	(466,578)	(134,498)
Accrued Wages and Liabilities	64	7,521	(1,086)	-	6,499	195
Compensated Absences	2,716	5,490	(6,735)	-	1,471	1,498
Pension Related Amounts	42,642	101,514	69,602	-	213,758	24,368
Net Cash Provided (Used) by Operating Activities	<u>\$ 160,336</u>	<u>\$ 438,460</u>	<u>\$ 288,072</u>	<u>\$ (75,315)</u>	<u>\$ 811,553</u>	<u>\$ 346,514</u>

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

City of Owosso
Statement of Fiduciary Net Position
Fiduciary Funds

	June 30, 2019	December 31, 2018
	Agency Fund	Pension Trust Fund
ASSETS		
Cash and Investments	\$ 41	\$ 31,467,206
Accounts Receivable	--	61,143
Total Assets	41	31,528,349
LIABILITIES		
Accounts Payable	41	5,093
Total Liabilities	41	5,093
NET POSITION		
Held in Trust	\$ --	\$ 31,523,256

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

City of Owosso
Statement of Changes in Plan Net Position
Pension Trust Fund
For the Year Ended December 31, 2018

	December 31, 2018
	Pension Trust Fund
ADDITIONS	
Interest and Dividends	\$ 941,867
Net Appreciation in Fair Value of Investments	(3,003,520)
Total Investment Earnings	(2,061,653)
Investment Expenses	(78,777)
Net Investment Income	(2,140,430)
Contributions:	
Employer	766,089
Plan Members	210,523
Total Contributions	976,612
Other - City reimbursed expenses	156,571
Total Additions	(1,007,247)
DEDUCTIONS	
Benefit payments	3,055,552
Administrative expenses	166,938
Total Deductions	3,222,490
Change in Net Position	(4,229,737)
Net Position, Beginning of Year	35,752,993
Net Position, End of Year	\$ 31,523,256

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, 2019

	Brownfield Redevelopment Authority	Downtown Development Authority	Total Component Units
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 53,644	\$ 86,215	\$ 139,859
Accounts Receivable	--	48,605	48,605
Due from Other Governments	--	68,101	68,101
Inventories	65,700	--	65,700
Total Assets	119,344	202,921	322,265
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	--	13,672	13,672
Due to Other Governments	65,700	--	65,700
Current Portion of Long-term Debt	124,759	--	124,759
Total Current Liabilities	190,459	13,672	204,131
<i>Noncurrent Liabilities</i>			
Long-term Debt	1,821,765	--	1,821,765
Total Liabilities	2,012,224	13,672	2,025,896
NET POSITION			
<i>Unrestricted</i>	(1,892,880)	189,249	(1,703,631)
Total Net Position	\$ (1,892,880)	\$ 189,249	\$ (1,703,631)

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 year Ended June 30, 2019

	Brownfield Redevelopment Authority	Downtown Development Authority	Total Component Units
Expenses			
Brownfield Redevelopment Authority	\$ 209,707	\$ --	\$ 209,707
Downtown Development Authority	--	307,043	307,043
Total Expenses	209,707	307,043	516,750
Program Revenues			
Operating Grants and Contributions	5,172	19,890	25,062
Total Program Revenues	5,172	19,890	25,062
Net Program Revenues (Expenses)	(204,535)	(287,153)	(491,688)
General Revenue			
Intergovernmental	--	22,532	22,532
Miscellaneous	--	50,088	50,088
Investment Income	18	--	18
Property Taxes	268,037	232,085	500,122
Total General Revenues	268,055	304,705	572,760
Change in Net Position	63,520	17,552	81,072
<i>Net Position at Beginning of Period</i>	<i>(1,956,400)</i>	<i>171,697</i>	<i>(1,784,703)</i>
Net Position at End of Period	\$ (1,892,880)	\$ 189,249	\$ (1,703,631)

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

Notes to the Financial Statements

City of Owosso

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

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

Reporting Entity

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

Discretely Presented Component Units

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

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

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

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

City of Owosso

Notes to the Financial Statements

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

City of Owosso

Notes to the Financial Statements

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

City of Owosso

Notes to the Financial Statements

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

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. The water supply system and sewage disposal system also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to connect new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating

City of Owosso

Notes to the Financial Statements

revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

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

Deposits and Investments

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

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

Receivables and Payables

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

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

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

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables

City of Owosso

Notes to the Financial Statements

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.

Deferred Outflows of Resources

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

Property Taxes

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

Inventories and Prepaids

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

Capital Assets

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

City of Owosso

Notes to the Financial Statements

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

Capital assets 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 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.

Deferred Inflows of Resources

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

Compensated Absences

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

City of Owosso

Notes to the Financial Statements

Long-term Obligations

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

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

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the City's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. The City reports assigned fund balance for amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City's finance director. Unassigned fund balance is the residual classification for the general fund. No other funds other than the general fund may have unassigned fund balance, therefore any amounts remaining in excess of nonspendable, restricted, or committed funds in funds other than the general fund will automatically be reported as assigned fund balance. If any portion of existing fund balance will be used to eliminate a projected deficit in the subsequent year's budget, this amount will also be categorized as assigned fund balance.

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Budgetary Information

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

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

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

For the year ended June 30, 2019, the City incurred expenditures in excess of the amounts appropriated, as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Clerk	\$ 186,503	\$ 193,705	\$ (7,202)
Human Resources	142,790	147,316	(4,526)
Building and Code Enforcement	228,120	229,480	(1,360)
Public Works	548,288	577,786	(29,498)
Leaf and Brush Collection	221,143	222,622	(1,479)

Note 3 - Deficit Fund Equity

The Brownfield Redevelopment Authority had a deficit net position at year-end of \$(1,892,880). The Brownfield Redevelopment Authority will capture property taxes in the future and use revenues from services to eliminate this deficit.

City of Owosso

Notes to the Financial Statements

Note 4 - Deposits and Investments

Following is a reconciliation of deposit and investment balances for the City (including both cash and investments as well as pension trust fund balances) as of June 30, 2019:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Totals</u>
Statement of Net Position			
Cash and Investments	\$ 18,460,112	\$ 139,859	\$ 18,599,971
Restricted Cash and Investments	1,472,629	-	1,472,629
Statement of Fiduciary Net Position			
Pension Trust Fund			
Cash and Cash Equivalents	1,232,368	-	1,232,368
Investments	30,234,838	-	30,234,838
Agency			
Cash and Cash Equivalents	41	-	41
Total Deposits and Investments	<u>\$ 51,399,988</u>	<u>\$ 139,859</u>	<u>\$ 51,539,847</u>
Deposits and Investments			
Checking and Savings Accounts			\$ 16,202,335
Certificates of Deposit			1,152,416
Investments			34,179,456
Cash on Hand			5,640
Total			<u>\$ 51,539,847</u>

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

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the government. The City does not require collateralization of deposits. At June 30, 2019, the bank balance of deposits owned by the City was \$16,976,292. Approximately \$804,103 of the City's bank balance was covered by federal depository insurance. The remaining balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

City of Owosso

Notes to the Financial Statements

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2019 for the primary government. The pension trust fund is as of December 31, 2018:

Investments	
Money Market Funds	\$ 1,293,457
Equities	25,185,295
Corporate Bonds	2,304,298
Municipal Obligations	947,955
Government Securities	4,448,451
Total	<u>\$ 34,179,456</u>

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of June 30, 2019 (December 31, 2018 for the pension trust fund), none of the City's investments, excluding the money market accounts which are not subject to custodial credit risk, were exposed to risk since the securities are held in the City's name by the counterparty.

Interest Rate Risk. To the extent possible, the City attempts to match its investments with anticipated cash flow requirements. Short-term funds matched to a specific cash flow requirement shall be invested in securities maturing not more than two (2) years from the date of purchase. Long-term funds (capital, debt services, etc.) matched to a specific cash flow requirement may be invested in securities maturing not more than five (5) years from the date of purchase.

The City's investment policy and the Employee Retirement System's investment policy do not have specific limits on maturities of debt securities as a means of managing its exposure to fair value losses arising from increasing interest rates.

	Primary Government	Pension Trust Fund	Totals
Statement of Net Position			
Due in less than one year	\$ 1,674,073	\$ 71,442	\$ 1,745,515
Due in one to five years	327,446	3,851,541	4,178,987
Due in six to ten years	-	1,608,660	1,608,660
Due in more than ten years	-	1,280,089	1,280,089
No maturity	2,147,641	24,370,980	26,518,621
Total Deposits and Investments	<u>\$ 4,149,160</u>	<u>\$ 31,182,712</u>	<u>\$ 35,331,872</u>

City of Owosso

Notes to the Financial Statements

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

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

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

The Employee Retirement System's investment policy on credit risk for allowable debt securities follows the City. The credit rating for each investment type is identified in the above table for debt securities held at December 31, 2018.

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

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

City of Owosso

Notes to the Financial Statements

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

	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Funds	\$ 1,293,457	\$ -	\$ -	\$ 1,293,457
Equities	25,185,295	-	-	25,185,295
Corporate Bonds	-	2,304,298	-	2,304,298
Municipal Obligations	-	947,955	-	947,955
Government Securities	-	4,448,451	-	4,448,451
Total Deposits and Investments	\$ 26,478,752	\$ 7,700,705	\$ -	\$ 34,179,456

Note 5 - Receivables

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 573,739	\$ 1,557,327	\$ 48,605
Intergovernmental	1,267,158	206,711	68,101
Special Assessments	916,316	-	-
<i>Total</i>	2,757,213	1,764,038	116,706
Less: Allowance for uncollectible	-	(3,042)	-
Receivables, Net	\$ 2,757,213	\$ 1,760,996	\$ 116,706

The general fund and the water fund has advanced \$1,133,812 and \$682,971, respectively, to the Brownfield fund that will be repaid over 15 years at an interest rate of 4.00%. Of the balance, approximately \$1,629,810 is not expected to be collected within one year.

Note 6 – Accounts Payable

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 863,322	\$ 557,440	\$ 13,672
Due to Other Governments	-	-	65,700
Self-Insurance Liability	5,000	-	-
	\$ 868,322	\$ 557,440	\$ 79,372

City of Owosso

Notes to the Financial Statements

Note 7 - Interfund Receivables and Payables and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Fleet Maintenance	General Fund	\$ 22
General Fund	Subdivision	131,488
General Fund	Historical Fund	5,371
Water Supply System	General Fund	88,492
Sewage Disposal System	General Fund	400
Water Supply System	Major Streets	188,830
Sewage Disposal System	Major Streets	9,537

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

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Historical Fund	General	\$ 33,000
Local Streets	Street Capital Project Fund	775,533
Local Streets	Major Streets	361,852
Major Streets	Street Capital Project Fund	1,246,935
Capital Projects	General	358,840
Water Supply System	Sewage Disposal System	380,000
Revolving Loan	Downtown Facade Program	17,060

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

The street capital project fund transferred \$1,246,935 and \$775,533 to the major streets and local streets fund, respectively, to fund city street projects.

City of Owosso

Notes to the Financial Statements

Note 8 - Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2019, was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not Being Depreciated					
Land	\$ 4,559,913	\$ -	\$ -	\$ -	\$ 4,559,913
Construction in Progress	3,717,324	790,314	-	(3,717,324)	790,314
<i>Subtotal</i>	<u>8,277,237</u>	<u>790,314</u>	<u>-</u>	<u>(3,717,324)</u>	<u>5,350,227</u>
Capital Assets Being Depreciated					
Roads and Sidewalks	49,638,955	3,214,257	-	3,717,324	56,570,536
Land Improvements	3,764,353	-	(109,250)	-	3,655,103
Buildings and Improvements	2,860,343	-	-	-	2,860,343
Vehicles	4,259,369	741,322	(327,314)	-	4,673,377
Office Furnishings	1,353,373	13,766	-	-	1,367,139
Machinery and Equipment	2,366,461	188,000	(18,947)	-	2,535,514
<i>Subtotal</i>	<u>64,242,854</u>	<u>4,157,345</u>	<u>(455,511)</u>	<u>3,717,324</u>	<u>71,662,012</u>
Less Accumulated Depreciation					
Roads and Sidewalks	24,374,283	1,404,432	-	-	25,778,715
Land Improvements	2,393,049	121,976	(109,250)	-	2,405,775
Buildings and Improvements	2,383,730	69,658	-	-	2,453,388
Vehicles	2,666,609	246,925	(326,835)	-	2,586,699
Office Furnishings	1,272,340	32,818	-	-	1,305,158
Machinery and Equipment	1,816,983	196,726	(15,158)	-	1,998,551
<i>Subtotal</i>	<u>34,906,994</u>	<u>2,072,535</u>	<u>(451,243)</u>	<u>-</u>	<u>36,528,286</u>
<i>Capital Assets Being Depreciated, Net</i>	<u>29,335,860</u>	<u>2,084,810</u>	<u>(4,268)</u>	<u>3,717,324</u>	<u>35,133,726</u>
Capital Assets, Governmental Activities	<u>\$ 37,613,097</u>	<u>\$ 2,875,124</u>	<u>\$ (4,268)</u>	<u>\$ -</u>	<u>\$ 40,483,953</u>

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

Governmental Activities	
General Government	\$ 127,611
Public Safety	163,900
Public Works	1,409,533
Community and Economic Development	3,866
Recreation and Culture	87,917
Depreciation Charged to the Internal Service Fund	279,708
<i>Total</i>	<u>\$ 2,072,535</u>

City of Owosso

Notes to the Financial Statements

Capital asset activity for the business-type activities for the year ended June 30, 2019, was as follows:

Business-type Activities	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not Being Depreciated					
Land	\$ 467,304	\$ -	\$ -	\$ -	467,304
Construction in Progress	3,064,898	136,990	-	(2,830,023)	371,865
<i>Subtotal</i>	<u>3,532,202</u>	<u>136,990</u>	<u>-</u>	<u>(2,830,023)</u>	<u>839,169</u>
Capital Assets Being Depreciated					
Buildings	13,245,205	-	-	-	13,245,205
Improvements, other than Buildings	12,488,960	711,614	-	2,260,494	15,461,068
Vehicles	1,209,550	333,244	(2,148)	-	1,540,646
Machinery and Equipment	11,067,856	725,144	(8,713)	569,529	12,353,816
<i>Subtotal</i>	<u>38,011,571</u>	<u>1,770,002</u>	<u>(10,861)</u>	<u>2,830,023</u>	<u>42,600,735</u>
Less Accumulated Depreciation					
Buildings	7,963,871	267,323	-	-	8,231,194
Improvements, other than Buildings	5,774,541	231,856	-	-	6,006,397
Vehicles	114,713	116,796	(2,148)	-	229,361
Machinery and Equipment	10,398,581	132,880	(8,713)	-	10,522,748
<i>Subtotal</i>	<u>24,251,706</u>	<u>748,855</u>	<u>(10,861)</u>	<u>-</u>	<u>24,989,700</u>
<i>Capital Assets Being Depreciated, Net</i>	<u>13,759,865</u>	<u>1,021,147</u>	<u>-</u>	<u>2,830,023</u>	<u>17,611,035</u>
<i>Capital Assets, Business-type Activities</i>	<u>\$ 17,292,067</u>	<u>\$ 1,158,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,450,204</u>

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

Business-type Activities	
Sewage Disposal System	\$ 50,618
Water Supply System	448,313
Wastewater Treatment System	249,924
<i>Total</i>	<u>\$ 748,855</u>

Note 9 - Long-term Debt

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

City of Owosso

Notes to the Financial Statements

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2009 General Obligation Limited Tax bonds, \$950,000, due in annual installments of \$25,000 to \$75,000 through May 1, 2029, interest at 1.95% to 5.25%, payable semi-annually.	\$ 645,000	\$ -	\$ (45,000)	\$ 600,000	\$ 45,000
2010 General Obligation Unlimited Tax bonds, \$960,000, due in annual installments of \$15,000 to \$65,000 through November 1, 2030, interest at 2.35% to 2.43%, payable semi-annually	795,000	-	(50,000)	745,000	60,000
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	885,000	-	(35,000)	850,000	35,000
2015 capital lease payable, \$324,271, due in annual installments of \$68,096 through June 10, 2019 including interest at 2.40%	66,435	-	(66,435)	-	-
2017 General Obligation Unlimited Tax bonds, \$4,900,000, due in annual installments of \$220,000 to \$280,000 through May 1, 2037, interest at 1.00% to 3.55%, payable annually	4,680,000	-	(225,000)	4,455,000	230,000
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 annually.	-	5,100,000	-	5,100,000	140,000
Compensated Absences	337,453	24,524	-	361,977	90,494
Total Long-term Debt, Governmental Activities	<u>\$ 7,408,888</u>	<u>\$ 5,124,524</u>	<u>\$ (421,435)</u>	<u>\$ 12,111,977</u>	<u>\$ 600,494</u>
<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bond Series 2012 Refunding, \$3,800,000 due in annual installments of \$55,000 to \$505,000 through November 1, 2022, interest at 2.00% to 3.25%, payable semi-annually	\$ 2,220,000	\$ -	\$ (385,000)	\$ 1,835,000	\$ 410,000
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	1,644,093	-	(107,745)	1,536,348	110,575
State Revolving Fund 2009 Sewer System, \$801,786, due in installments of \$30,000 to \$55,000 through April 1, 2028, interest at 2.50%, payable semi-annually	471,786	-	(40,000)	431,786	40,000
Compensated Absences	100,749	-	(1,022)	99,727	24,932
Total Long-term Debt, Business-type Activities	<u>\$ 4,436,628</u>	<u>\$ -</u>	<u>\$ (533,767)</u>	<u>\$ 3,902,861</u>	<u>\$ 585,507</u>

City of Owosso

Notes to the Financial Statements

<u>Component Units</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
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	\$ 148,221	\$ -	\$ (18,480)	\$ 129,741	\$ 14,623
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	1,851,322	-	(34,539)	1,816,783	110,136
Total Long-term Debt, Component Units	<u>\$ 1,999,543</u>	<u>\$ -</u>	<u>\$ (53,019)</u>	<u>\$ 1,946,524</u>	<u>\$ 124,759</u>

The capital lease payable is for a Vactor vehicle with a cost of \$404,771 and accumulated depreciation of \$168,655 as of June 30, 2019.

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 510,000	\$ 466,583	\$ 976,583	\$ 560,575	\$ 101,302	\$ 661,877
2021	580,000	390,851	970,851	598,478	84,574	683,052
2022	590,000	466,145	1,056,145	636,458	66,794	703,252
2023	605,000	360,119	965,119	674,516	47,279	721,795
2024	615,000	342,820	957,820	172,655	34,684	207,339
2025-2029	3,320,000	1,407,162	4,727,162	870,100	104,336	974,436
2030-2034	3,125,000	812,295	3,937,295	290,352	11,487	301,839
2035-2039	2,405,000	261,653	2,666,653	-	-	-
Totals	<u>\$ 11,750,000</u>	<u>\$ 4,507,626</u>	<u>\$ 16,257,626</u>	<u>\$ 3,803,134</u>	<u>\$ 450,456</u>	<u>\$ 4,253,590</u>

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

<u>Year Ending June 30</u>	<u>Component Units</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 124,759	\$ 88,368	\$ 213,127
2021	130,041	83,086	213,127
2022	135,553	77,574	213,127
2023	141,304	71,823	213,127
2024	147,304	65,823	213,127
2025-2029	773,083	232,752	1,005,835
2030-2034	494,480	70,587	565,067
Totals	<u>\$ 1,946,524</u>	<u>\$ 690,013</u>	<u>\$ 2,636,537</u>

City of Owosso

Notes to the Financial Statements

Advance Refunding

On August 8, 2012, the City issued revenue bond series 2012 refunding of \$3,800,000. The refunded bonds mature as scheduled on August 8, 2012, through November 1, 2022. The balance of the defeased debt outstanding at year end was \$1,485,000.

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 \$751,782 compared to the annual debt requirements of approximately \$492,745.

Note 10 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	<u>Business-type Activities</u>
Revenue Bond Restrictions:	
Revenue Bond Reserve	\$ 612,565
Improvement and Replacement Fund	860,064
Total	<u>\$ 1,472,629</u>

Note 11 - Risk Management

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

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

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

City of Owosso

Notes to the Financial Statements

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

At June 30, 2019, the City has \$261,038 on deposit with the Authority to pay claims. Upon termination of the program, any amounts remaining on deposit after the Authority has settled all claims incurred prior to termination will be returned to the City. The City estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported.

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

	<u>2019</u>	<u>2018</u>
Unpaid claims - beginning of year	\$ 100	\$ 71,355
Incurred claims and adjustments (including claims incurred but not reported)	9,255	86,248
Claim payments	<u>(4,355)</u>	<u>(157,503)</u>
Unpaid claims - end of year	5,000	100
Assets held on deposit with Authority	<u>261,038</u>	<u>150,923</u>
<i>Net Position - end of year</i>	<u>\$ 256,038</u>	<u>\$ 150,823</u>

Note 12 - Contingent Liabilities

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

Note 13 - Pension Plan – Single Employer Pension Trust Fund

Employees' Retirement System

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

City of Owosso

Notes to the Financial Statements

Plan Membership. At December 31, 2018, the date of the most recent valuation, membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	91
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	43
Total membership	141

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

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

Contributions. The contribution requirements of Plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and plan provisions. The City is required to contribute at an actuarially determined rate expressed as a percentage of covered payroll. For the year ended December 31, 2018, the City had the following contribution rates:

Division	Employee Contributions	Employer Contributions
General, Police Non-Union	6.00%	7.85%
Fire	8.00%	8.93%
Police Union	10.00%	6.30%

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Rate of Return. For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions. The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied consistently to all periods included in the measurement:

City of Owosso

Notes to the Financial Statements

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

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study as of December 31, 2013.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018, and the final investment return assumption, are summarized in the following table:

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

City of Owosso

Notes to the Financial Statements

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

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 37,755,385	\$ 35,752,992	\$ 2,002,393
Service cost	386,886	-	386,886
Interest	2,640,526	-	2,640,526
Difference between expected and actual experience	389,613	-	389,613
Contributions - employer	-	766,089	(766,089)
Contributions - employee	-	210,523	(210,523)
Net investment loss	-	(2,140,430)	2,140,430
Benefit payments, including refunds	(3,055,552)	(3,055,552)	-
Administrative expenses	-	(166,936)	166,936
Other - city reimbursed expenses	-	156,571	(156,571)
Net changes	361,473	(4,229,735)	4,591,208
Balance at December 31, 2018	\$ 38,116,858	\$ 31,523,257	\$ 6,593,601

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

	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability of the City	\$ 10,369,950	\$ 6,593,601	\$ 3,363,597

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, 2019, the City recognized pension expense of \$1,406,834. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 782,261	\$ 35,586
Changes in assumptions	-	77,535
Net difference between projected and actual earnings on pension plan investments	2,321,497	-
* Employer contributions to the plan subsequent to the measurement date	722,773	-
Total	\$ 3,826,531	\$ 113,121

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Years Ending June 30	Amount
2020	\$ 1,110,865
2021	613,187
2022	335,228
2023	931,357

Payable to the Pension Plan. At June 30, 2019, the City did not have any outstanding contributions due to the pension plan required for the year ended June 30, 2019.

Note 14 - Pension Plan – Agent Multiple-Employer Plan

General Information about the Plan

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

City of Owosso

Notes to the Financial Statements

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

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

Employees Covered by Benefit Terms. At December 31, 2018, plan membership consisted of the following:

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

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

For the year ended June 30, 2019, the City had the following contribution rates:

Division	Employee Contributions	Employer Contributions
AFSCME Council - Closed	6.40%	\$2,450/month
Police Command - Open	10.00%	33.95%

Net Pension Liability. The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

City of Owosso

Notes to the Financial Statements

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

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

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

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	55.50%	8.65%	4.80%	2.50%	3.42%
Global fixed income	18.50%	3.76%	0.70%	2.50%	0.23%
Real assets	13.50%	9.72%	1.31%	2.50%	0.97%
Diversifying strategies	12.50%	7.50%	0.94%	2.50%	0.63%
	<u>100.00%</u>		<u>7.75%</u>		<u>5.25%</u>

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

City of Owosso

Notes to the Financial Statements

Changes in Net Pension Liability

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2017	\$ 5,002,655	\$ 3,293,575	\$ 1,709,080
Service cost	58,387	-	58,387
Interest	386,699	-	386,699
Difference between expected and actual experience	33,459	-	33,459
Contributions - employer	-	140,293	(140,293)
Contributions - employee	-	42,775	(42,775)
Net investment loss	-	(122,935)	122,935
Benefit payments, including refunds	(396,218)	(396,218)	-
Administrative expenses	-	(6,244)	6,244
Net changes	82,327	(342,329)	424,656
Balance at December 31, 2018	\$ 5,084,982	\$ 2,951,246	\$ 2,133,736

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

	1% Decrease	Current	1% Increase
	(7.00%)	Discount Rate (8.00%)	(9.00%)
Net pension liability of the City	\$ 2,676,747	\$ 2,133,736	\$ 1,679,035

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

City of Owosso

Notes to the Financial Statements

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2019, the City recognized pension expense of \$301,778. The City reported deferred outflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 65,273
Net difference between projected and actual earnings on pension plan investments	227,126
* Employer contributions to the plan subsequent to the measurement date	570,067
Total	<u>\$ 862,466</u>

*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, 2019.

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

Years Ending	Amount
June 30	
2020	\$ 138,509
2021	34,750
2022	43,611
2023	75,529

Payable to the Pension Plan. At June 30, 2019, the City did not have any outstanding contributions due to the pension plan required for the year ended June 30, 2019.

Note 15 - Defined Contribution Retirement Plan

The City provides pension benefits to the city manager position along with new employees under the AFSCME and general union agreements with a defined contribution plan administered under ICMA for which the City provides employer contributions. In accordance with these requirements, the City contributed \$91,700 during the current year and employees contributed \$104,707 during the year. At June 30, 2019, the City's had no outstanding amounts due to the Plan.

Note 16 - Construction Code Fees

The City oversees building construction, in accordance with the State's construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law

City of Owosso

Notes to the Financial Statements

requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Cumulative excess at June 30, 2018	\$	48,745
Current year Building Permit Revenue		224,098
Related expenses - Direct costs		<u>(229,480)</u>
Cumulative excess at June 30, 2019	\$	<u>43,363</u>

Note 17 - Net Investment in Capital Assets

The composition of net investment in capital assets as of June 30, 2019, was as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Capital Assets	\$ 40,483,953	\$ 18,450,204
Less: Outstanding capital-related debt as of year-end	(11,750,000)	(3,803,134)
Plus: Unspent bond proceeds	5,100,000	-
Net Investment in Capital Assets	<u>\$ 33,833,953</u>	<u>\$ 14,647,070</u>

Note 18 - Tax Abatement Disclosure

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2019, the City's property taxes were reduced by \$33,644 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

City of Owosso

Notes to the Financial Statements

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, 2019, the City's property taxes were reduced by \$11,906 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 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, 2019, the City's property taxes were reduced by \$70,038 under this program.

City of Owosso

Notes to the Financial Statements

Note 19 - Fund Balance Classifications

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Streets Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable						
Advance To Component Unit	\$ 1,133,812	\$ -	\$ -	\$ -	\$ -	\$ 1,133,812
Inventories	63,211	-	-	-	-	63,211
Prepays	-	-	-	-	9,550	9,550
Total Nonspendable	<u>1,197,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,550</u>	<u>1,206,573</u>
Restricted for:						
Debt Service	-	-	-	-	807	807
Housing	-	-	-	-	59	59
Historical	-	-	-	-	55,266	55,266
Downtown Facade	-	-	-	-	185,298	185,298
Street Capital Projects	-	-	-	5,086,870	-	5,086,870
Revolving Loans	-	-	-	-	1,273,670	1,273,670
Recreation	1,650	-	-	-	-	1,650
Streets	-	1,158,858	457,779	-	-	1,616,637
Total Restricted	<u>1,650</u>	<u>1,158,858</u>	<u>457,779</u>	<u>5,086,870</u>	<u>1,515,100</u>	<u>8,220,257</u>
Assigned for:						
Portion of Expenditures	1,743,008	-	-	-	-	1,743,008
Building Authority	-	-	-	-	36,307	36,307
DDA Construction	-	-	-	-	35,992	35,992
Capital Projects	-	-	-	-	57,189	57,189
Subdivision Debt	131,488	-	-	-	74,512	206,000
Compensated Absences	351,730	-	-	-	-	351,730
Special Assessment	100,000	-	-	-	-	100,000
Economic Development	500,000	-	-	-	-	500,000
Owosso Drain	70,757	-	-	-	-	70,757
Total Assigned	<u>2,896,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,000</u>	<u>3,100,983</u>
Unassigned	<u>2,730,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,730,191</u>
Total Fund Balances - Governmental Funds	<u>\$ 6,825,847</u>	<u>\$ 1,158,858</u>	<u>\$ 457,779</u>	<u>\$ 5,086,870</u>	<u>\$ 1,728,650</u>	<u>\$ 15,258,004</u>

Required Supplementary Information

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
				Final to Actual
Revenues				
Property Taxes	\$ 3,564,129	\$ 3,564,129	\$ 3,493,937	\$ (70,192)
Licenses and Permits	196,704	196,704	504,330	307,626
Intergovernmental	1,733,311	1,733,311	1,852,463	119,152
Charges for Services	1,329,972	1,303,972	1,144,394	(159,578)
Special Assessments	--	--	83,643	83,643
Interest	38,000	38,000	155,789	117,789
Miscellaneous	90,000	92,500	176,806	84,306
Total Revenues	6,952,116	6,928,616	7,411,362	482,746
Expenditures				
General Government				
City Council	3,900	8,400	5,988	2,412
City Manager	96,423	92,223	88,744	3,479
Finance	179,027	185,007	180,602	4,405
Assessing	107,899	94,649	91,944	2,705
Attorney	120,000	120,000	111,821	8,179
Clerk	168,553	186,503	193,705	(7,202)
Human Resources	140,700	142,790	147,316	(4,526)
Treasurer	118,788	117,968	114,919	3,049
Information Technology	78,813	62,813	58,900	3,913
Buildings and Ground Maintenance	56,020	71,110	65,881	5,229
General Administration	205,301	221,961	215,478	6,483
Total General Government	1,275,424	1,303,424	1,275,298	28,126
Public Safety				
Police	2,082,004	2,067,004	2,013,134	53,870
Fire Department	1,908,977	1,881,477	1,791,826	89,651
Building and Code Enforcement	222,620	228,120	229,480	(1,360)
Total Public Safety	4,213,601	4,176,601	4,034,440	142,161
Public Works				
Public Works	559,288	548,288	577,786	(29,498)
Leaf and Brush Collection	229,143	221,143	222,622	(1,479)
Parking	35,030	35,030	32,889	2,141
Total Public Works	823,461	804,461	833,297	(28,836)
Community and Economic Development				
	168,667	143,667	103,588	40,079
Recreation and Culture				
	235,123	371,043	333,568	37,475
Total Expenditures	6,716,276	6,799,196	6,580,191	219,005
Other Financing Uses				
Transfers to other funds	391,840	391,840	391,840	--
Total Expenditures and Other Financing Uses	7,108,116	7,191,036	6,972,031	219,005
Excess (Deficiency) of Revenues Over Expenditures and Other Uses				
	(156,000)	(262,420)	439,331	701,751
Net Change in Fund Balance	(156,000)	(262,420)	439,331	701,751
<i>Fund Balance at Beginning of Period</i>	6,386,516	6,386,516	6,386,516	--
Fund Balance at End of Period	\$ 6,230,516	\$ 6,124,096	\$ 6,825,847	\$ 701,751

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Intergovernmental	\$ 989,000	\$ 1,365,664	\$ 1,749,232	\$ 383,568
Special Assessments	100,956	400,956	294,525	(106,431)
Interest	--	--	5,135	5,135
Total Revenues	<u>1,089,956</u>	<u>1,766,620</u>	<u>2,048,892</u>	<u>282,272</u>
Other Financing Sources				
Transfers from other funds	1,691,800	2,266,800	1,246,935	(1,019,865)
Total Revenues and Other Financing Sources	<u>2,781,756</u>	<u>4,033,420</u>	<u>3,295,827</u>	<u>(737,593)</u>
Expenditures				
Public Works	2,328,622	3,580,286	3,239,172	341,114
Total Expenditures	<u>2,328,622</u>	<u>3,580,286</u>	<u>3,239,172</u>	<u>341,114</u>
Other Financing Uses				
Transfers to other funds	456,500	456,500	361,852	94,648
Total Expenditures and Other Financing Uses	<u>2,785,122</u>	<u>4,036,786</u>	<u>3,601,024</u>	<u>435,762</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(3,366)</u>	<u>(3,366)</u>	<u>(305,197)</u>	<u>(301,831)</u>
Net Change in Fund Balance	<u>(3,366)</u>	<u>(3,366)</u>	<u>(305,197)</u>	<u>(301,831)</u>
Fund Balance at Beginning of Period	1,464,055	1,464,055	1,464,055	--
Fund Balance at End of Period	<u>\$ 1,460,689</u>	<u>\$ 1,460,689</u>	<u>\$ 1,158,858</u>	<u>\$ (301,831)</u>

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Streets
For the year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Revenues				
Intergovernmental	\$ 346,825	\$ 616,145	\$ 628,782	\$ 12,637
Special Assessments	61,000	111,680	84,391	(27,289)
Interest	--	--	3,237	3,237
Total Revenues	<u>407,825</u>	<u>727,825</u>	<u>716,410</u>	<u>(11,415)</u>
Other Financing Sources				
Transfers from other funds	<u>1,204,530</u>	<u>1,704,530</u>	<u>1,137,385</u>	<u>(567,145)</u>
Total Revenues and Other Financing Sources	<u>1,612,355</u>	<u>2,432,355</u>	<u>1,853,795</u>	<u>(578,560)</u>
Expenditures				
Public Works	<u>1,612,355</u>	<u>2,432,355</u>	<u>1,683,949</u>	<u>748,406</u>
Total Expenditures	<u>1,612,355</u>	<u>2,432,355</u>	<u>1,683,949</u>	<u>748,406</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>--</u>	<u>--</u>	<u>169,846</u>	<u>169,846</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>169,846</u>	<u>169,846</u>
Fund Balance at Beginning of Period	<u>287,933</u>	<u>287,933</u>	<u>287,933</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 287,933</u>	<u>\$ 287,933</u>	<u>\$ 457,779</u>	<u>\$ 169,846</u>

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

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 386,886	\$ 428,682	\$ 432,001	\$ 442,936	\$ 476,628
Interest	2,640,526	2,610,296	2,532,569	2,586,834	2,525,333
Differences Between Expected and Actual Experience	389,613	377,079	915,114	(373,598)	345,843
Changes in Assumptions	-	-	-	(814,031)	-
Benefit Payments, Including Refunds	(3,055,552)	(2,900,823)	(2,711,036)	(2,510,549)	(2,454,795)
Other	-	-	-	25,639	-
Net Change in Pension Liability	361,473	515,234	1,168,648	(642,769)	893,009
<i>Total Pension Liability - Beginning</i>	<u>37,755,385</u>	<u>37,240,151</u>	<u>36,071,503</u>	<u>36,714,272</u>	<u>35,821,263</u>
Total Pension Liability - Ending (a)	\$ 38,116,858	\$ 37,755,385	\$ 37,240,151	\$ 36,071,503	\$ 36,714,272
Plan Fiduciary Net Position					
Contributions - Employer	\$ 766,089	\$ 958,312	\$ 629,143	\$ 600,769	\$ 701,388
Contributions - Member	210,523	214,940	234,195	238,860	221,638
Net Investment Income (Loss)	(2,140,430)	5,769,694	1,684,322	(8,045)	1,858,842
Benefit Payments, Including Refunds	(3,055,552)	(2,900,823)	(2,711,036)	(2,510,549)	(2,454,795)
Administrative Expenses	(166,936)	(147,227)	(155,668)	(56,618)	(36,025)
Other - City Reimbursed Expenses	156,571	142,738	92,956	-	-
Other - Audit and Education	-	-	(6,690)	-	-
Net Change in Plan Fiduciary Net Position	(4,229,735)	4,037,634	(232,778)	(1,735,583)	291,048
<i>Plan Fiduciary Net Position - Beginning</i>	<u>35,752,992</u>	<u>31,715,358</u>	<u>31,948,136</u>	<u>33,683,719</u>	<u>33,392,671</u>
Plan Fiduciary Net Position - Ending (b)	\$ 31,523,257	\$ 35,752,992	\$ 31,715,358	\$ 31,948,136	\$ 33,683,719
Net Pension Liability - Ending (a) - (b)	\$ 6,593,601	\$ 2,002,393	\$ 5,524,793	\$ 4,123,367	\$ 3,030,553
Liability	82.70%	94.70%	85.16%	88.57%	91.75%
Covered Employee Payroll	\$ 2,459,389	\$ 2,701,419	\$ 2,786,412	\$ 2,891,530	\$ 2,938,821
Net Pension Liability as a Percentage of Covered Employee Payroll	268.10%	74.12%	198.28%	142.60%	103.12%

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

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

Notes

Valuation Date

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

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of payroll for open groups, dollar level for closed groups
Remaining amortization period	12-year closed period
Asset valuation method	4-year smooth market
Wage Inflation	3.00%
Price Inflation	2.50%
Salary increases	3.00% to 13.0% including inflation
Investment rate of return	7.25%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 Combined Healthy Mortality Table projected to 2020 using Projection Scale AA.

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

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 58,387	\$ 60,121	\$ 58,476	\$ 59,072	\$ 56,663
Interest	386,699	372,940	370,415	367,218	364,054
Differences Between Expected and Actual Experience	33,459	128,899	(6,914)	(109,144)	-
Changes in Assumptions	-	-	-	203,319	-
Changes in Benefits	-	7,111	5,931	50,916	
Benefit Payments, Including Refunds	(396,218)	(396,218)	(398,083)	(385,997)	(381,134)
Net Change in Pension Liability	82,327	172,853	29,825	185,384	39,583
<i>Total Pension Liability - Beginning</i>	5,002,656	4,829,803	4,799,978	4,614,594	4,575,011
Total Pension Liability - Ending (a)	\$ 5,084,983	\$ 5,002,656	\$ 4,829,803	\$ 4,799,978	\$ 4,614,594
Plan Fiduciary Net Position					
Contributions - Employer	\$ 140,293	\$ 139,100	\$ 206,166	\$ 45,863	\$ 50,484
Contributions - Member	42,775	43,917	45,641	59,586	59,724
Net Investment Income (Loss)	(122,935)	399,865	328,921	(45,980)	205,685
Benefit Payments, Including Refunds	(396,218)	(396,218)	(398,083)	(385,997)	(381,134)
Administrative Expenses	(6,244)	(6,346)	(6,486)	(6,899)	(7,495)
Net Change in Plan Fiduciary Net Position	(342,329)	180,318	176,159	(333,427)	(72,736)
<i>Plan Fiduciary Net Position - Beginning</i>	3,293,576	3,113,258	2,937,099	3,270,526	3,343,262
Plan Fiduciary Net Position - Ending (b)	\$ 2,951,247	\$ 3,293,576	\$ 3,113,258	\$ 2,937,099	\$ 3,270,526
Net Pension Liability - Ending (a) - (b)	\$ 2,133,736	\$ 1,709,080	\$ 1,716,545	\$ 1,862,879	\$ 1,344,068
Liability	58.04%	65.84%	64.46%	61.19%	70.87%
Covered Payroll	\$ 427,743	\$ 418,961	\$ 413,925	\$ 313,381	\$ 339,241
Net Pension Liability as a Percentage of Covered Payroll	498.84%	407.93%	414.70%	594.45%	396.20%

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

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 140,293	\$ 139,100	\$ 128,079	\$ 81,621	\$ 46,402
Contributions in Relation to the Actuarially Determined Contribution	140,293	139,100	128,079	81,621	46,402
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 432,876	\$ 423,989	\$ 424,603	\$ 430,897	\$ 311,669
Contributions as a Percentage of Covered Employee Payroll	32.41%	32.81%	30.16%	18.94%	14.89%

Notes

Valuation Date

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

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll
Remaining amortization period	20 years
Asset valuation method	Open; 10-year smooth market
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The normal retirement rates were first used for the December 31, 2009 actuarial valuations. The Early Retirement rates were first used for the December 31, 2011 actuarial valuations.
Mortality	1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

Combining and Individual Fund Statements and Schedules

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

	Special Revenue				Debt Service			
	Historical Fund	Housing and Redevelopment	Revolving Loan	Downtown Facade Program	2018 Special Assessment Limited Tax	2013 General Obligation Bonds	2010 General Obligation Bonds	2009 Special Assessment Limited Tax
ASSETS								
Cash and Investments	\$ 65,237	\$ 1,591	\$ 1,001,463	\$ 331,750	\$ 140	\$ 784	\$ 14	\$ --
Accounts Receivable	--	--	272,207	--	--	--	--	--
Special Assessments Receivable	--	--	--	--	686,229	--	--	9
Due from Other Governments	--	--	--	146,319	--	--	--	--
Prepays	--	--	--	--	--	--	--	--
Land Held for Sale	--	--	--	--	--	--	--	--
Total Assets	\$ 65,237	\$ 1,591	\$ 1,273,670	\$ 478,069	\$ 686,369	\$ 784	\$ 14	\$ 9
LIABILITIES								
Accounts Payable	\$ 1,624	\$ --	\$ --	\$ 292,771	\$ 140	\$ --	\$ --	\$ --
Accrued Liabilities	950	1,532	--	--	--	--	--	--
Accrued Wages	2,026	--	--	--	--	--	--	--
Due to Other Funds	5,371	--	--	--	--	--	--	--
Total Liabilities	9,971	1,532	--	292,771	140	--	--	--
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue	--	--	--	--	686,229	--	--	--
Total Liabilities and Deferred Inflows of Resources	9,971	1,532	--	292,771	686,369	--	--	--
FUND BALANCE								
Nonspendable	--	--	--	--	--	--	--	--
Restricted	55,266	59	1,273,670	185,298	--	784	14	9
Assigned	--	--	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--	--	--
Total Fund Balance	55,266	59	1,273,670	185,298	--	784	14	9
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 65,237	\$ 1,591	\$ 1,273,670	\$ 478,069	\$ 686,369	\$ 784	\$ 14	\$ 9

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

	Debt Service						
	2010 Special Assessment Limited Tax	2011 Special Assessment Limited Tax	2012 Special Assessment Limited Tax	2013 Special Assessment Limited Tax	2014 Special Assessment Limited Tax	2016 Special Assessment Limited Tax	2009 Limited Tax General Obligation Bonds
ASSETS							
Cash and Investments	\$ --	\$ --	\$ --	\$ --	\$ 8	\$ --	\$ --
Accounts Receivable	--	--	--	--	--	--	--
Special Assessments Receivable	1,061	13,109	31,080	10,612	--	36,440	--
Due from Other Governments	--	--	--	--	--	--	--
Prepays	--	--	--	--	--	--	--
Land Held for Sale	--	--	--	--	--	--	--
<i>Total Assets</i>	<u>\$ 1,061</u>	<u>\$ 13,109</u>	<u>\$ 31,080</u>	<u>\$ 10,612</u>	<u>\$ 8</u>	<u>\$ 36,440</u>	<u>\$ --</u>
LIABILITIES							
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ 8	\$ --	\$ --
Accrued Liabilities	--	--	--	--	--	--	--
Accrued Wages	--	--	--	--	--	--	--
Due to Other Funds	--	--	--	--	--	--	--
<i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>8</u>	<u>--</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	1,061	13,109	31,080	10,612	--	36,440	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>1,061</u>	<u>13,109</u>	<u>31,080</u>	<u>10,612</u>	<u>8</u>	<u>36,440</u>	<u>--</u>
FUND BALANCE							
Nonspendable	--	--	--	--	--	--	--
Restricted	--	--	--	--	--	--	--
Assigned	--	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	<u>\$ 1,061</u>	<u>\$ 13,109</u>	<u>\$ 31,080</u>	<u>\$ 10,612</u>	<u>\$ 8</u>	<u>\$ 36,440</u>	<u>\$ --</u>

Continued...

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

	Capital Projects				Total Nonmajor Governmental Funds
	Building Authority	DDA Construction Fund	Subdivision	Capital Projects	
ASSETS					
Cash and Investments	\$ 36,307	\$ 35,992	\$ --	\$ 62,836	\$ 1,536,122
Accounts Receivable	--	--	--	--	272,207
Special Assessments Receivable	--	--	--	--	778,540
Due from Other Governments	--	--	--	--	146,319
Prepays	--	--	--	9,550	9,550
Land Held for Sale	--	--	206,000	--	206,000
Total Assets	\$ 36,307	\$ 35,992	\$ 206,000	\$ 72,386	\$ 2,948,738
LIABILITIES					
Accounts Payable	\$ --	\$ --	\$ --	\$ 5,647	\$ 300,190
Accrued Liabilities	--	--	--	--	2,482
Accrued Wages	--	--	--	--	2,026
Due to Other Funds	--	--	131,488	--	136,859
Total Liabilities	--	--	131,488	5,647	441,557
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	--	--	--	--	778,531
Total Liabilities and Deferred Inflows of Resources	--	--	131,488	5,647	1,220,088
FUND BALANCE					
Nonspendable	--	--	--	9,550	9,550
Restricted	--	--	--	--	1,515,100
Assigned	36,307	35,992	74,512	57,189	204,000
Unassigned	--	--	--	--	--
Total Fund Balance	36,307	35,992	74,512	66,739	1,728,650
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 36,307	\$ 35,992	\$ 206,000	\$ 72,386	\$ 2,948,738

Concluded.

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year Ended June 30, 2019

	Special Revenue				Debt Service			
	Historical Fund	Housing and Redevelopment	Revolving Loan	Downtown Facade Program	Assessment Limited Tax Bonds	2013 General Obligation Bonds	2010 General Obligation Bonds	Assessment Limited Tax Bonds
Revenues								
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 419,739	\$ 83,383	\$ --
Intergovernmental	--	--	16,668	152,819	--	--	--	--
Charges for Services	8,100	--	--	--	--	--	--	--
Sales	4,496	--	--	--	--	--	--	--
Interest	475	59	13,606	1,227	--	--	--	--
Miscellaneous	36,739	--	--	331,598	--	--	--	--
Total Revenues	49,810	59	30,274	485,644	--	419,739	83,383	--
Expenditures								
General Government	--	--	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--	--	--
Community and Economic Development	--	--	1,176	313,250	--	--	--	--
Recreation and Culture	96,833	--	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	260,000	50,000	--
Debt Service - Interest	--	--	--	--	--	159,318	33,383	--
Capital Outlay	--	--	--	--	--	--	--	--
Total Expenditures	96,833	--	1,176	313,250	--	419,318	83,383	--
Excess of Revenues Over (Under) Expenditures	(47,023)	59	29,098	172,394	--	421	--	--
Other Financing Sources (Uses)								
Transfers In	33,000	--	17,060	--	--	--	--	--
Transfers Out	--	--	--	(17,060)	--	--	--	--
Net Other Financing Sources (Uses)	33,000	--	17,060	(17,060)	--	--	--	--
Net Change in Fund Balance	(14,023)	59	46,158	155,334	--	421	--	--
<i>Fund Balance at Beginning of Period</i>	69,289	--	1,227,512	29,964	--	363	14	9
Fund Balance at End of Period	\$ 55,266	\$ 59	\$ 1,273,670	\$ 185,298	\$ --	\$ 784	\$ 14	\$ 9

Continued...

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year Ended June 30, 2019

	Debt Service						
	Assessment Limited Tax Bonds	Assessment Limited Tax Bonds	Assessment Limited Tax Bonds	Assessment Limited Tax Bonds	Assessment Limited Tax Bonds	Assessment Limited Tax Bonds	2009 Limited Tax General Obligation Bonds
Revenues							
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	--	--	--	--	78,115
Charges for Services	--	--	--	--	--	--	--
Sales	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Miscellaneous	--	--	--	--	--	--	--
Total Revenues	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>78,115</u>
Expenditures							
General Government	--	--	--	--	--	--	--
Public Safety	--	--	--	--	--	--	--
Community and Economic Development	--	--	--	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--	--	45,000
Debt Service - Interest	--	--	--	--	--	--	33,115
Capital Outlay	--	--	--	--	--	--	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>78,115</u>
Excess of Revenues Over (Under) Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Other Financing Sources (Uses)							
Transfers In	--	--	--	--	--	--	--
Transfers Out	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance at Beginning of Period	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Continued...

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year Ended June 30, 2019

	Capital Projects				Total Nonmajor Governmental Funds
	Building Authority	DDA Construction Fund	Subdivision	Capital Projects	
Revenues					
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ 503,122
Intergovernmental	--	--	--	--	247,602
Charges for Services	--	--	--	--	8,100
Sales	--	--	--	--	4,496
Interest	329	326	--	--	16,022
Miscellaneous	--	--	29,422	--	397,759
Total Revenues	329	326	29,422	--	1,177,101
Expenditures					
General Government	--	--	9,900	16,180	26,080
Public Safety	--	--	--	21,722	21,722
Community and Economic Development	--	--	--	--	314,426
Recreation and Culture	--	--	--	--	96,833
Debt Service - Principal	--	--	--	--	355,000
Debt Service - Interest	--	--	--	--	225,816
Capital Outlay	--	--	--	254,199	254,199
Total Expenditures	--	--	9,900	292,101	1,294,076
Excess of Revenues Over (Under) Expenditures	329	326	19,522	(292,101)	(116,975)
Other Financing Sources (Uses)					
Transfers In	--	--	--	358,840	408,900
Transfers Out	--	--	--	--	(17,060)
Net Other Financing Sources (Uses)	--	--	--	358,840	391,840
Net Change in Fund Balance	329	326	19,522	66,739	274,865
<i>Fund Balance at Beginning of Period</i>	35,978	35,666	54,990	--	1,453,785
Fund Balance at End of Period	\$ 36,307	\$ 35,992	\$ 74,512	\$ 66,739	\$ 1,728,650

Concluded.

City of Owosso
Statement of Net Position and Governmental Fund Balance Sheet
Brownfield Redevelopment Authority Component Unit
June 30, 2019

	<u>Fund Balance Sheet</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 53,644	\$ --	\$ 53,644
Inventories	65,700	--	65,700
Total Assets	<u>119,344</u>	<u>--</u>	<u>119,344</u>
LIABILITIES			
<i>Current Liabilities</i>			
Due to Other Governments	65,700	--	65,700
Current Portion of Long-term Debt	--	124,759	124,759
Total Current Liabilities	<u>65,700</u>	<u>124,759</u>	<u>190,459</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,821,765	1,821,765
Total Liabilities	<u>65,700</u>	<u>1,946,524</u>	<u>2,012,224</u>
NET POSITION			
<i>Unassigned fund balance / Unrestricted Net Position</i>	53,644	(1,946,524)	(1,892,880)
Total Fund Balance / Net Position	<u>\$ 53,644</u>	<u>\$ (1,946,524)</u>	<u>\$ (1,892,880)</u>

City of Owosso
Statement of Activities and Governmental Fund Statement of
Revenues, Expenditures, and Change in Fund Balance
Brownfield Redevelopment Authority Component Unit
For the Year Ended June 30, 2019

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
Expenses			
Brownfield Redevelopment Authority	\$ 132,870	\$ --	\$ 132,870
Debt Service	129,856	(53,019)	76,837
Total Expenses	<u>262,726</u>	<u>(53,019)</u>	<u>209,707</u>
Program Revenues			
Operating Grants and Contributions	5,172	--	5,172
Total Program Revenues	<u>5,172</u>	<u>--</u>	<u>5,172</u>
Net Program Revenues (Expenses)	<u>(257,554)</u>	<u>53,019</u>	<u>(204,535)</u>
General Revenue			
Investment Income	18	--	18
Property Taxes	268,037	--	268,037
Total General Revenues	<u>268,055</u>	<u>--</u>	<u>268,055</u>
Change in Net Position	<u>10,501</u>	<u>53,019</u>	<u>63,520</u>
<i>Net Position at Beginning of Period</i>	43,143	--	(1,956,400)
Net Position at End of Period	<u>\$ 53,644</u>	<u>\$ --</u>	<u>\$ (1,892,880)</u>

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

To the City Council
City of Owosso
Owosso, MI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 26, 2019. The Downtown Development Authority component unit was not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Grand Rapids, Michigan
November 26, 2019

November 26, 2019

To the City Council
City of Owosso
Owosso, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan (the "City") for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 September 16, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into 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 estimate(s) 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.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.
- Management's estimate of the insurance claims incurred but not reported is based on information provided by the entity's third party administrators and subsequent claims activity.

- The assumptions used in the actuarial valuations of the pension and other postemployment benefits plans are based on historical trends and industry standards.

We evaluated the 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 November 26, 2019.

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, pension schedules, and 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, 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 information and use of the governing body and management of the City of Owosso, Michigan 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". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC