

City of Owosso,  
Michigan



Year Ended  
June 30, 2015

Financial  
Statements and  
Supplemental  
Information

# CITY OF OWOSSO, MICHIGAN

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Changes in Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
General Fund	20
Major Streets Fund	21
Statement of Net Position - Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Statement of Fiduciary Net Position	25
Statement of Changes in Plan Net Position - Pension Trust Fund	26
Combining Statement of Net Position - Discretely Presented Component Units	27
Combining Statement of Activities - Discretely Presented Component Units	28
Notes to Financial Statements	30
<b>Required Supplementary Information</b>	
Employees Retirement System Single Employer Pension Plan:	
Schedule of Changes in Net Pension Liability and Related Ratios	59
Schedule of the Net Pension Liability	60
Schedule of Contributions	61
Schedule of Investment Returns	62
MERS Agent Multiple-Employer Defined Benefit Pension Plan:	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	63
Schedule of the City's Net Pension Liability	64
Schedule of Contributions	65
<b>Combining and Individual Fund Financial Statements</b>	
Nonmajor Governmental Funds:	
Combining Balance Sheet	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	68
Combining Balance Sheet - Nonmajor Special Revenue Funds	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	71

# CITY OF OWOSSO, MICHIGAN

## ■ Table of Contents

	<u>Page</u>
Combining Balance Sheet - Nonmajor Debt Service Funds	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	76
Combining Balance Sheet - Nonmajor Capital Projects Funds	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	81
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	83

# CITY OF OWOSSO, MICHIGAN

## ELECTED OFFICERS

For the Year Ended June 30, 2015

### ADMINISTRATION

#### CITY MANAGER

Donald Crawford

### CITY COUNCIL

Mayor	Benjamin Frederick
Mayor Pro-Tem	Christopher Eveleth
Council Member	Loreen Bailey
Council Member	David Bandkau
Council Member	Burton Fox
Council Member	Elaine Greenway
Council Member	Robert Teich Jr

**INDEPENDENT AUDITORS' REPORT**

December 18, 2015

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, 2015, 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.

*Independent Auditors' 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Implementation of GASB Statement No. 68*

As described in Note 20, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans* in the current year. Accordingly, beginning net position of governmental activities, business-type activities, the Water Supply System enterprise fund, the Sewage Disposal enterprise fund and the Wastewater Treatment System enterprise fund were restated. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements 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 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the City's internal control over financial reporting and 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 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 black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

## MANAGEMENT'S DISCUSSION AND ANALYSIS



# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

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

### Financial Highlights

- During the current year, the City implemented GASB Statement No. 68 which resulted in restatement of beginning net position for the governmental activities, business-type activities, Water Supply System enterprise fund, Sewage Disposal System enterprise fund and Wastewater Treatment System enterprise fund in the amounts of \$2,379,068, \$552,706, \$259,081, \$51,816 and \$241,809, respectively.
- The total net position for the City is \$55,544,460. Of this amount, \$8,964,457 is unrestricted and available for any City activity. The net position increased \$334,005 from the prior fiscal year.
- Combined program and general revenue for the primary government activities amounted to \$14,600,005. Expenses of \$14,266,000 exceeded revenues by \$334,005.
- The combined fund balance at year end for the City's governmental funds was \$6,926,304. This was an increase of \$438,366 from the prior fiscal year.
- General Fund revenues exceeded expenditures and other financing uses by \$593,010, 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 information on all of the City's assets, deferred outflow of resources and liabilities, with the residual amount 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 government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

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

- Governmental funds such as the general fund and major street fund focus on the financing of these areas in the short-term and what remains for future spending.
- 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 \$55,544,460. This compares to last year's reported total of \$58,142,229 which was a decrease of \$2,597,769. A substantial portion of this decrease is due to the City implementing the provisions of GASB Statement #68 during the current year.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current and other assets	\$10,177,401	\$ 9,574,404	\$ 8,797,759	\$ 7,997,981	\$18,975,160	\$17,572,385
Capital assets, net	35,140,661	35,939,065	12,676,100	13,214,702	47,816,761	49,153,767
	<u>45,318,062</u>	<u>45,513,469</u>	<u>21,473,859</u>	<u>21,212,683</u>	<u>66,791,921</u>	<u>66,726,152</u>
Deferred outflows of resources	927,563	-	403,665	-	1,331,228	-
<b>Liabilities</b>						
Other liabilities	3,998,844	665,336	1,307,354	284,217	5,306,198	949,553
Long-term liabilities	3,369,571	3,420,324	3,902,920	4,214,046	7,272,491	7,634,370
	<u>7,368,415</u>	<u>4,085,660</u>	<u>5,210,274</u>	<u>4,498,263</u>	<u>12,578,689</u>	<u>8,583,923</u>
<b>Net position</b>						
Net investment in capital assets	32,649,904	33,570,563	8,889,314	9,112,916	41,539,218	42,683,479
Restricted	2,132,824	2,322,924	2,907,961	2,798,059	5,040,785	5,120,983
Unrestricted	4,094,482	5,534,322	4,869,975	4,803,445	8,964,457	10,337,767
<b>Total net position</b>	<u>\$38,877,210</u>	<u>\$41,427,809</u>	<u>\$16,667,250</u>	<u>\$16,714,420</u>	<u>\$55,544,460</u>	<u>\$58,142,229</u>

# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

Further review of the net position indicates that they are divided into three parts. The largest part, 75%, is the investment in capital assets (land, buildings, machinery and equipment) which cannot be readily liquidated or available for future spending. The second part is restricted net position, which can be used strictly for certain purposes. Finally, the last part is unrestricted net position which can be used for ongoing obligations or new activities.

### Governmental Activities

Governmental activities are described in detail below. The City of Owosso's current fiscal year experienced a decrease in net position of \$171,531. This decrease in net position is mainly the result of depreciation outpacing capital replacements.

The City of Owosso received gas and weight tax contributions of \$1,172,355 and other capital and operating grant funds in the amount of \$560,674. These account for the items under operating and capital grants and contributions for the governmental activities.

During the current year, governmental activities revenues increased by \$343,030 and expenses decreased by \$57,079. This was mainly the result of increased ambulance revenue due to service expansion, sale of a farmhouse and a distribution of excess net assets from an insurance pool.

During the current year, business-type activity revenues increased by \$310,489 and expenses increased \$236,876. This was mainly the result of rate adjustments to cover increased maintenance and operational costs.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues						
Charges for services	\$ 1,597,289	\$ 1,290,387	\$ 5,742,664	\$ 5,548,841	\$ 7,339,953	\$ 6,839,228
Operating grants and Contributions	1,313,503	1,540,852	126,850	-	1,440,353	1,540,852
Capital grants and Contributions	419,526	367,946	-	-	419,526	367,946
General revenues						
Property taxes	3,351,415	3,354,812	62,097	75,342	3,413,512	3,430,154
Grants and contributions not restricted to specific programs	1,557,409	1,527,664	-	-	1,557,409	1,527,664
Other	413,245	227,696	16,007	12,946	429,252	240,642
Total revenues	<u>8,652,387</u>	<u>8,309,357</u>	<u>5,947,618</u>	<u>5,637,129</u>	<u>14,600,005</u>	<u>13,946,486</u>

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# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

	Change in Net Position (Concluded)					
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Expenses</b>						
General government	\$ 1,230,769	\$ 1,086,971	\$ -	\$ -	\$ 1,230,769	\$ 1,086,971
Public safety	3,463,151	3,463,618	-	-	3,463,151	3,463,618
Public works	3,252,564	3,079,640	-	-	3,252,564	3,079,640
Community and economic development	325,308	659,681	-	-	325,308	659,681
Recreation and culture	420,130	502,038	-	-	420,130	502,038
Water	-	-	2,199,440	2,059,890	2,199,440	2,059,890
Sewer	-	-	1,487,181	1,370,789	1,487,181	1,370,789
Wastewater	-	-	1,693,360	1,699,195	1,693,360	1,699,195
Transportation	-	-	62,101	75,332	62,101	75,332
Interest on debt	131,996	89,049	-	-	131,996	89,049
<b>Total expenses</b>	<b>8,823,918</b>	<b>8,880,997</b>	<b>5,442,082</b>	<b>5,205,206</b>	<b>14,266,000</b>	<b>14,086,203</b>
<b>Change in net position</b>	<b>(171,531)</b>	<b>(571,640)</b>	<b>505,536</b>	<b>431,923</b>	<b>334,005</b>	<b>(139,717)</b>
<b>Net position:</b>						
Beginning of year	41,427,809	41,999,449	16,714,420	16,282,497	58,142,229	58,281,946
Restatement	(2,379,068)	-	(552,706)	-	(2,931,774)	-
	<u>39,048,741</u>	<u>41,999,449</u>	<u>16,161,714</u>	<u>16,282,497</u>	<u>55,210,455</u>	<u>58,281,946</u>
<b>End of Year</b>	<b>\$38,877,210</b>	<b>\$41,427,809</b>	<b>\$16,667,250</b>	<b>\$16,714,420</b>	<b>\$55,544,460</b>	<b>\$58,142,229</b>

### 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 \$6,926,304 or 89% of annual operating expenditures. More detail on available, spendable balances can be found in the notes to these financial statements.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance is \$4,088,810. The General Fund fund balance increased by \$593,010 due to a 57% increase in ambulance revenue from service expansion; the sale of a farmhouse from a thirty-six acre annexation and distribution of excess net assets from a member insurance pool.

The Major Streets fund balance increased from \$8,566 to \$19,257. The increase is attributable to a general purpose distribution from the state for roadways. The Major Street fund is a major fund for accounting purposes and is presented separately in the basic financial statements.

The nonmajor funds include special revenue, debt service and capital project funds and have total fund balances of \$2,818,237. This was a decrease in fund balance over the previous year of \$165,335. The decrease represents the use of bonds proceeds for street improvements.

# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

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. Similar types of information are found here as compared to the government-wide statements but with more detail. The Water Supply System Fund's net position increased by \$503,465 to \$8,334,783. The Sewage Disposal System Fund's net position increased \$99,180 to \$3,729,613. The Wastewater Treatment System Fund's net position decreased \$97,105 to \$4,602,785. The Water Supply System Fund's net position increased due to rate adjustments earmarked for capital replacements. The Fund continues to benefit from a bond refinancing that lowered interest expense. Sewage Disposal System Fund's increase in net position will provide reserves to continue identifying and eliminating storm infiltrations to the sanitary system. The City operates under a consent order under its NPDES permit. Recognition of deferred obligations reduced the Wastewater Treatment System Fund's net position.

### General Fund Budgetary Highlights

The General Fund accounts for public safety, public works, community development, recreation and administrative functions of the City government. The budget is monitored closely, and during the annual budget process, the City completes an extensive review of the current year budget, culminating in amendments to appropriately revise revenue and expenditure estimates. As a result of careful monitoring throughout the year, a practice and a history of conservative budgeting, and cost containment measures, differences between the original and final amended budgets for revenues and expenditures were relatively minor. Public safety expenditures decreased due to a one time buyout last year of firefighter accrued sick leave which also reduced the pension contribution in the current year. General government expenditures decreased from last year's expenditure for a thirty-six acre farm on the City's boundary.

### Capital Asset and Debt Administration

At the end of the current fiscal year, the City's investment in capital assets for the governmental and business-type activities amounted to \$41,539,218 (net of depreciation and related debt). The investment in capital assets covers a broad variety of land, buildings, machinery, equipment, roads, highways, and bridges. The net investment (net of related debt) in capital assets decreased \$1,144,261 due to depreciation of streets and sidewalks outpaced capital replacements. Please see the capital assets footnote for further detail.

### Long-Term Debt

At the end of the current fiscal year, the City had \$3,369,571 in bonds and other obligations outstanding and compensated absences for governmental activities and \$3,902,920 in bonds outstanding and compensated absences for business-type activities. Governmental activities long-term debt and obligations decreased \$50,753 while business-type activities long-term debt decreased \$311,126. The main reasons for these changes were scheduled debt retirement.

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

Tax revenues have stabilized with property values increasing a modest 1.2%. The state budget appropriation for revenue sharing from sales tax projects a 2.8% increase. Property taxes and revenue sharing comprise 71% of General Fund revenues. Fiscal 2016 General Fund budget is in balance without appropriation of fund balance.

# CITY OF OWOSSO, MICHIGAN

## Management's Discussion and Analysis

### Requests for Information

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

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS



CITY OF OWOSSO, MICHIGAN

Statement of Net Position

June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 8,008,409	\$ 4,310,121	\$ 12,318,530	\$ 58,684
Receivables, net	1,735,652	1,273,657	3,009,309	194,434
Internal balances	(121,255)	121,255	-	-
Inventories	125,505	184,765	310,270	89,812
Other assets	240,000	-	240,000	-
Restricted cash and investments	189,090	2,907,961	3,097,051	-
Capital assets not being depreciated	4,674,760	787,384	5,462,144	-
Capital assets being depreciated, net	30,465,901	11,888,716	42,354,617	-
<b>Total assets</b>	<b>45,318,062</b>	<b>21,473,859</b>	<b>66,791,921</b>	<b>342,930</b>
<b>Deferred outflow of resources</b>				
Deferred pension amounts	927,563	403,665	1,331,228	-
<b>Liabilities</b>				
Accounts payable	412,091	150,870	562,961	155,463
Accrued and other liabilities	181,910	186,706	368,616	-
Long-term liabilities:				
Due within one year	348,293	369,034	717,327	8,899
Due in more than one year	3,021,278	3,533,886	6,555,164	178,779
Net pension liability	3,404,843	969,778	4,374,621	-
<b>Total liabilities</b>	<b>7,368,415</b>	<b>5,210,274</b>	<b>12,578,689</b>	<b>343,141</b>
<b>Net position</b>				
Net investment in capital assets	32,649,904	8,889,314	41,539,218	-
Restricted for:				
Debt service	292,364	350,000	642,364	-
Revolving loan	1,298,672	-	1,298,672	-
Housing and redevelopment	14	-	14	-
Streets	460,840	-	460,840	-
Historical	80,934	-	80,934	-
Improvement and replacement	-	2,557,961	2,557,961	-
Unrestricted (deficit)	4,094,482	4,869,975	8,964,457	(211)
<b>Total net position (deficit)</b>	<b>\$ 38,877,210</b>	<b>\$ 16,667,250</b>	<b>\$ 55,544,460</b>	<b>\$ (211)</b>

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

CITY OF OWOSSO, MICHIGAN

**Statement of Activities**  
For the Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 1,230,769	\$ 260,201	\$ 74,135	\$ -	\$ (896,433)
Public safety	3,463,151	1,031,807	-	95,854	(2,335,490)
Public works	3,252,564	126,449	1,229,874	323,672	(1,572,569)
Community and economic development	325,308	157,159	-	-	(168,149)
Recreation and culture	420,130	21,673	9,494	-	(388,963)
Interest on debt	131,996	-	-	-	(131,996)
<b>Total governmental activities</b>	<b>8,823,918</b>	<b>1,597,289</b>	<b>1,313,503</b>	<b>419,526</b>	<b>(5,493,600)</b>
Business-type activities:					
Water	2,199,440	2,606,991	90,059	-	497,610
Sewer	1,487,181	1,553,673	31,103	-	97,595
Wastewater	1,693,360	1,582,000	5,688	-	(105,672)
Shiawassee Area Transportation Authority	62,101	-	-	-	(62,101)
<b>Total business-type activities</b>	<b>5,442,082</b>	<b>5,742,664</b>	<b>126,850</b>	<b>-</b>	<b>427,432</b>
<b>Total primary government</b>	<b>\$ 14,266,000</b>	<b>\$ 7,339,953</b>	<b>\$ 1,440,353</b>	<b>\$ 419,526</b>	<b>\$ (5,066,168)</b>
Component units					
Downtown Development Authority	\$ 186,764	\$ 19,755	\$ -	\$ -	\$ (167,009)
Brownfield Redevelopment Authority	52,452	-	8,145	-	(44,307)
<b>Total component units</b>	<b>\$ 239,216</b>	<b>\$ 19,755</b>	<b>\$ 8,145</b>	<b>\$ -</b>	<b>\$ (211,316)</b>

Continued...

CITY OF OWOSSO, MICHIGAN

Statement of Activities  
For the Year Ended June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenues	\$ (5,493,600)	\$ 427,432	\$ (5,066,168)	\$ (211,316)
General revenues:				
Property taxes	3,351,415	62,097	3,413,512	251,180
Grants and contributions not restricted to specific programs	1,557,409	-	1,557,409	-
Unrestricted investment earnings	25,033	16,007	41,040	3,000
Miscellaneous revenue	388,212	-	388,212	-
Total general revenues	5,322,069	78,104	5,400,173	254,180
Change in net position	(171,531)	505,536	334,005	42,864
Net position (deficit), beginning of year, as restated	39,048,741	16,161,714	55,210,455	(43,075)
Net position (deficit), end of year	\$ 38,877,210	\$ 16,667,250	\$ 55,544,460	\$ (211)

Concluded

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

# CITY OF OWOSSO, MICHIGAN

## Balance Sheet Governmental Funds June 30, 2015

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 6,345,367	\$ -	\$ 1,663,042	\$ 8,008,409
Receivables, net:				
Accounts	630,210	232,514	450,690	1,313,414
Delinquent taxes	21,674	-	-	21,674
Special assessments	-	-	309,478	309,478
Accrued interest	-	-	58	58
Due from other governments	91,028	-	-	91,028
Due from other funds	483,062	7,230	875,865	1,366,157
Inventories	125,505	-	-	125,505
Land held for sale	-	-	240,000	240,000
<b>Total assets</b>	<b>\$ 7,696,846</b>	<b>\$ 239,744</b>	<b>\$ 3,539,133</b>	<b>\$ 11,475,723</b>
<b>Liabilities</b>				
Accounts payable	\$ 195,741	\$ 5,489	\$ 19,098	\$ 220,328
Accrued liabilities	62,228	-	770	62,998
Accrued wages	94,124	1,504	3,635	99,263
Due to other funds	2,665,714	213,494	387,915	3,267,123
Due to other governmental units	88,227	-	-	88,227
<b>Total liabilities</b>	<b>3,106,034</b>	<b>220,487</b>	<b>411,418</b>	<b>3,737,939</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessments	-	-	309,478	309,478
Unavailable revenue - other	502,002	-	-	502,002
<b>Total deferred inflows of resources</b>	<b>502,002</b>	<b>-</b>	<b>309,478</b>	<b>811,480</b>
<b>Fund balances (deficit)</b>				
Nonspendable	125,505	-	-	125,505
Restricted	-	19,257	1,822,534	1,841,791
Committed	1,570,456	-	-	1,570,456
Assigned	1,472,819	-	999,203	2,472,022
Unassigned (deficit)	920,030	-	(3,500)	916,530
<b>Total fund balances</b>	<b>4,088,810</b>	<b>19,257</b>	<b>2,818,237</b>	<b>6,926,304</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,696,846</b>	<b>\$ 239,744</b>	<b>\$ 3,539,133</b>	<b>\$ 11,475,723</b>

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

# CITY OF OWOSSO, MICHIGAN

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2015

Fund balances - total governmental funds	\$ 6,926,304
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Assets held on deposit with the MMRMA for self insurance are not financial resources, and therefore are not reported in the fund statement.	189,090
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the fund statement.	
Capital assets not being depreciated	4,674,760
Capital assets being depreciated, net	29,229,736
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.	
Unavailable revenue - special assessments	309,478
Unavailable revenue - other	502,002
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.	
Net pension liability	(3,404,843)
Pension related deferred outflow of resources	927,563
Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities.	
Net position of governmental activities accounted for in internal service funds	2,747,546
Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.	
Accrued interest on long-term debt	(18,445)
Long-term bonds and notes payable	(2,675,304)
Landfill remediation liability	(89,716)
Self insurance liability	(101,116)
Compensated absences	(339,845)
Net position of governmental activities	<u>\$ 38,877,210</u>

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

CITY OF OWOSSO, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 3,285,164	\$ -	\$ 66,251	\$ 3,351,415
Licenses and permits	157,159	-	-	157,159
Intergovernmental	1,655,175	903,724	406,600	2,965,499
Charges for services	1,272,327	-	34,871	1,307,198
Sales	-	-	1,986	1,986
Special assessments	-	29,793	96,656	126,449
Interest revenue	21,112	-	3,921	25,033
Miscellaneous revenues	282,329	-	25,370	307,699
<b>Total revenues</b>	<b>6,673,266</b>	<b>933,517</b>	<b>635,655</b>	<b>8,242,438</b>
<b>Expenditures</b>				
Current:				
General government	1,057,397	-	130,713	1,188,110
Public safety	3,283,650	-	-	3,283,650
Public works	1,007,242	714,739	711,337	2,433,318
Community and economic development	257,509	-	3,500	261,009
Parks and recreation	277,568	-	-	277,568
Capital outlay	-	-	13,932	13,932
Debt service:				
Principal	139,089	-	75,000	214,089
Interest and fiscal charges	5,446	-	126,950	132,396
<b>Total expenditures</b>	<b>6,027,901</b>	<b>714,739</b>	<b>1,061,432</b>	<b>7,804,072</b>
Revenues over (under) expenditures	645,365	218,778	(425,777)	438,366
<b>Other financing sources (uses)</b>				
Transfers in	-	54,475	362,153	416,628
Transfers out	(52,355)	(262,562)	(101,711)	(416,628)
<b>Total other financing sources (uses)</b>	<b>(52,355)</b>	<b>(208,087)</b>	<b>260,442</b>	<b>-</b>
Net change in fund balances	593,010	10,691	(165,335)	438,366
Fund balances, beginning of year	3,495,800	8,566	2,983,572	6,487,938
Fund balances, end of year	\$ 4,088,810	\$ 19,257	\$ 2,818,237	\$ 6,926,304

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

# CITY OF OWOSSO, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
to Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$ 438,366
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Change in net position held with an agent for self-insurance.	(112,594)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital assets purchased/constructed	168,308
Loss on disposal of capital assets	(345,278)
Donated capital assets	323,672
Depreciation expense	(1,307,144)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.	
Current year net change in long-term receivables	121,455
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal payments on long-term liabilities	214,089
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in net pension liability and related deferred amounts	(98,212)
Change in accrual for compensated absences	32,914
Change in pollution liability	59,056
Change in accrued interest payable on long-term debt	5,648
An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.	
Change in net position of governmental activities internal service funds	<u>328,189</u>
Change in net position of governmental activities	<u>\$ (171,531)</u>

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

CITY OF OWOSSO, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Taxes	\$ 3,335,575	\$ 3,291,550	\$ 3,285,164	\$ (6,386)
Licenses and permits	120,500	143,850	157,159	13,309
Intergovernmental	1,622,125	1,666,800	1,655,175	(11,625)
Charges for services	986,275	1,139,775	1,272,327	132,552
Interest revenue	35,000	25,000	21,112	(3,888)
Miscellaneous revenue	8,100	293,600	282,329	(11,271)
<b>Total revenues</b>	<b>6,107,575</b>	<b>6,560,575</b>	<b>6,673,266</b>	<b>112,691</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,129,900	1,136,750	1,057,397	(79,353)
Public safety	3,594,450	3,486,750	3,283,650	(203,100)
Public works	926,750	1,171,425	1,007,242	(164,183)
Community and economic development	270,000	276,500	257,509	(18,991)
Parks and recreation	220,100	285,800	277,568	(8,232)
<b>Debt service:</b>				
Principal	139,107	142,132	139,089	(3,043)
Interest	5,468	5,468	5,446	(22)
<b>Total expenditures</b>	<b>6,285,775</b>	<b>6,504,825</b>	<b>6,027,901</b>	<b>(476,924)</b>
<b>Revenue over (under) expenditures</b>	<b>(178,200)</b>	<b>55,750</b>	<b>645,365</b>	<b>589,615</b>
<b>Other financing sources (uses)</b>				
Transfer in	198,000	-	-	-
Transfer out	(42,800)	(55,750)	(52,355)	(3,395)
<b>Total other financing sources (uses)</b>	<b>155,200</b>	<b>(55,750)</b>	<b>(52,355)</b>	<b>3,395</b>
<b>Net change in fund balance</b>	<b>(23,000)</b>	<b>-</b>	<b>593,010</b>	<b>593,010</b>
<b>Fund balance, beginning of year</b>	<b>3,495,800</b>	<b>3,495,800</b>	<b>3,495,800</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 3,472,800</b>	<b>\$ 3,495,800</b>	<b>\$ 4,088,810</b>	<b>\$ 593,010</b>

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



CITY OF OWOSSO, MICHIGAN

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
 Budget and Actual - Major Streets Fund  
 For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental	\$ 1,435,725	\$ 907,575	\$ 903,724	\$ (3,851)
Special assessments	19,425	29,650	29,793	143
<b>Total revenues</b>	<b>1,455,150</b>	<b>937,225</b>	<b>933,517</b>	<b>(3,708)</b>
Expenditures				
Public works	1,358,950	750,200	714,739	(35,461)
<b>Revenue over (under) expenditures</b>	<b>96,200</b>	<b>187,025</b>	<b>218,778</b>	<b>31,753</b>
Other financing sources (uses)				
Transfer in	156,300	132,425	54,475	(77,950)
Transfer out	(252,500)	(319,450)	(262,562)	(56,888)
<b>Total other financing sources (uses)</b>	<b>(96,200)</b>	<b>(187,025)</b>	<b>(208,087)</b>	<b>(21,062)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>10,691</b>	<b>10,691</b>
Fund balance, beginning of year	8,566	8,566	8,566	-
<b>Fund balance, end of year</b>	<b>\$ 8,566</b>	<b>\$ 8,566</b>	<b>\$ 19,257</b>	<b>\$ 10,691</b>

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

CITY OF OWOSSO, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental Activities
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Fund	Total	Internal Service Fund
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 2,061,577	\$ 1,999,933	\$ 248,611	\$ -	\$ 4,310,121	\$ -
Receivables, net:						
Accounts	775,015	486,073	-	69	1,261,157	-
Interest	-	6,250	6,250	-	12,500	-
Due from other funds	125,249	68,366	17,868	-	211,483	1,779,711
Inventories	184,765	-	-	-	184,765	-
Total current assets	<u>3,146,606</u>	<u>2,560,622</u>	<u>272,729</u>	<u>69</u>	<u>5,980,026</u>	<u>1,779,711</u>
Noncurrent assets:						
Restricted cash	350,000	-	2,557,961	-	2,907,961	-
Capital assets not being depreciated						
	541,434	245,950	-	-	787,384	-
Capital assets being depreciated, net						
	8,131,473	1,662,952	2,094,291	-	11,888,716	1,236,165
Total noncurrent assets	<u>9,022,907</u>	<u>1,908,902</u>	<u>4,652,252</u>	<u>-</u>	<u>15,584,061</u>	<u>1,236,165</u>
Total assets	<u>12,169,513</u>	<u>4,469,524</u>	<u>4,924,981</u>	<u>69</u>	<u>21,564,087</u>	<u>3,015,876</u>
Deferred outflows of resources						
Deferred pension amounts	<u>189,218</u>	<u>37,844</u>	<u>176,603</u>	<u>-</u>	<u>403,665</u>	<u>-</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	60,143	75,269	15,458	-	150,870	2,420
Accrued liabilities	169,299	6,147	11,260	-	186,706	1,204
Due to other funds	77,066	9,978	3,184	-	90,228	-
Current portion of long-term debt	318,214	39,665	11,155	-	369,034	63,824
Total current liabilities	<u>624,722</u>	<u>131,059</u>	<u>41,057</u>	<u>-</u>	<u>796,838</u>	<u>67,448</u>
Noncurrent liabilities:						
Long-term debt, net of current portion						
	2,944,642	555,779	33,465	-	3,533,886	200,882
Net pension liability	454,584	90,917	424,277	-	969,778	-
Total noncurrent liabilities	<u>3,399,226</u>	<u>646,696</u>	<u>457,742</u>	<u>-</u>	<u>4,503,664</u>	<u>200,882</u>
Total liabilities	<u>4,023,948</u>	<u>777,755</u>	<u>498,799</u>	<u>-</u>	<u>5,300,502</u>	<u>268,330</u>
<b>Net position</b>						
Net investment in capital assets	5,462,907	1,332,116	2,094,291	-	8,889,314	979,990
Restricted for:						
Improvement and replacement	-	-	2,557,961	-	2,557,961	-
Debt service	350,000	-	-	-	350,000	-
Unrestricted (deficit)	<u>2,521,876</u>	<u>2,397,497</u>	<u>(49,467)</u>	<u>69</u>	<u>4,869,975</u>	<u>1,767,556</u>
Total net position	<u>\$ 8,334,783</u>	<u>\$ 3,729,613</u>	<u>\$ 4,602,785</u>	<u>\$ 69</u>	<u>\$ 16,667,250</u>	<u>\$ 2,747,546</u>

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

CITY OF OWOSSO, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Fund	Total	Internal Service Fund
Operating revenues						
Charges for services	\$ 2,606,991	\$ 1,553,673	\$ 1,582,000	\$ -	\$ 5,742,664	\$ 737,221
Operating expenses						
Personnel services	739,095	118,411	567,163	-	1,424,669	92,391
Administrative and engineering services	200,000	40,000	172,807	-	412,807	32,300
Contractual and professional services	65,330	129,611	28,008	62,101	285,050	-
Supplies and chemicals	184,516	9,998	129,597	-	324,111	41,356
Utilities	149,435	2,401	222,752	-	374,588	-
Insurance	42,247	9,339	39,883	-	91,469	20,901
Equipment repairs	-	-	134,073	-	134,073	-
Maintenance	447,654	24,598	197,935	-	670,187	64,564
Plant charges	-	1,091,473	-	-	1,091,473	-
Depreciation	274,336	46,274	201,142	-	521,752	171,260
Total operating expenses	2,102,613	1,472,105	1,693,360	62,101	5,330,179	422,772
Operating income (loss)	504,378	81,568	(111,360)	(62,101)	412,485	314,449
Nonoperating revenues (expenses)						
Investment income	5,855	1,585	8,567	-	16,007	-
Reimbursement and miscellaneous	70,754	29,613	5,688	-	106,055	13,740
Permits	19,305	1,490	-	-	20,795	-
Property taxes	-	-	-	62,097	62,097	-
Interest expense	(96,827)	(15,076)	-	-	(111,903)	-
Total nonoperating revenues (expense)	(913)	17,612	14,255	62,097	93,051	13,740
Change in net position	503,465	99,180	(97,105)	(4)	505,536	328,189
Net position, beginning of year, as restated	7,831,318	3,630,433	4,699,890	73	16,161,714	2,419,357
Net position, end of year	\$ 8,334,783	\$ 3,729,613	\$ 4,602,785	\$ 69	\$ 16,667,250	\$ 2,747,546

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

CITY OF OWOSSO, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds					Governmental
	Water Supply System	Sewage Disposal System	Wastewater Treatment System	Nonmajor Enterprise Fund	Total	Internal Service Fund
Cash flows from operating activities						
Cash received from customers and users	\$ 2,575,431	\$ 1,778,059	\$ 1,597,219	\$ 4	\$ 5,950,713	\$ -
Cash receipts for internal services provided	-	-	-	-	-	519,456
Cash payments to suppliers for goods and services	(1,025,091)	(1,256,000)	(1,039,753)	(62,101)	(3,382,945)	(162,981)
Cash payments to employees for services	(716,683)	(115,509)	(563,158)	-	(1,395,350)	(93,092)
Net cash provided by (used in) operating activities	833,657	406,550	(5,692)	(62,097)	1,172,418	263,383
Cash flows from noncapital financing activities						
Other non-operating receipts	90,059	31,103	5,688	62,097	188,947	13,740
Cash flows from capital and related financing activities						
Purchase of capital assets	-	-	-	-	-	(641,554)
Proceeds from the sale of capital assets	4,500	12,350	-	-	16,850	108,256
Principal paid on debt	(280,000)	(35,000)	-	-	(315,000)	(68,096)
Issuance of long-term debt	-	-	-	-	-	324,271
Interest paid on debt	(98,213)	(15,296)	-	-	(113,509)	-
Net cash used in capital and related financing activities	(373,713)	(37,946)	-	-	(411,659)	(277,123)
Cash flows from investing activities						
Interest received on investments	5,855	1,585	8,567	-	16,007	-
Net increase in cash and cash equivalents	555,858	401,292	8,563	-	965,713	-
Cash and investments, beginning of year	1,855,719	1,598,641	2,798,009	-	6,252,369	-
Cash and investments, end of year	\$ 2,411,577	\$ 1,999,933	\$ 2,806,572	\$ -	\$ 7,218,082	\$ -
Classified on the statement of net position as						
Cash and investments	\$ 2,061,577	\$ 1,999,933	\$ 248,611	\$ -	\$ 4,310,121	\$ -
Restricted cash	350,000	-	2,557,961	-	2,907,961	-
	\$ 2,411,577	\$ 1,999,933	\$ 2,806,572	\$ -	\$ 7,218,082	\$ -
Cash flows from operating activities						
Operating income (loss)	\$ 504,378	\$ 81,568	\$ (111,360)	\$ (62,101)	\$ 412,485	\$ 314,449
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	274,336	46,274	201,142	-	521,752	171,260
Change in operating assets and liabilities that provided (used) cash:						
Accounts receivable	(15,468)	(4,501)	-	4	(19,965)	-
Due from other funds	(16,092)	228,887	15,219	-	228,014	(217,765)
Prepays	-	-	7,815	-	7,815	-
Inventories	(19,920)	-	-	-	(19,920)	-
Accounts payable	21,567	41,442	(20,082)	-	42,927	(3,860)
Accrued liabilities	9,702	388	1,948	-	12,038	168
Due to other funds	62,444	9,978	(102,431)	-	(30,009)	-
Accrued compensated absences	6,425	1,257	(3,808)	-	3,874	(869)
Pension related amounts	6,285	1,257	5,865	-	13,407	-
Net cash provided by (used in) operating activities	\$ 833,657	\$ 406,550	\$ (5,692)	\$ (62,097)	\$ 1,172,418	\$ 263,383

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

CITY OF OWOSSO, MICHIGAN

**Statement of Fiduciary Net Position**  
Fiduciary Funds

	December 31, 2014	June 30, 2015
	Pension Trust Fund	Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 20,425	\$ 17,487
Cash held by ICMA	242,869	-
Investments, at fair value:		
Money market accounts	1,711,713	-
Stocks	22,583,402	-
Equities	93,844	-
Corporate bonds	4,254,962	-
Municipal bonds	479,732	-
Government securities	4,457,623	-
Accounts receivable	952	79
Interest receivable	93,563	-
<b>Total assets</b>	<u>33,939,085</u>	<u>\$ 17,566</u>
<b>Liabilities</b>		
Accounts payable	255,366	17,498
Due to other governments	-	68
<b>Total liabilities</b>	<u>255,366</u>	<u>\$ 17,566</u>
<b>Net position</b>		
Restricted for employees' pension benefits	<u>\$ 33,683,719</u>	

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

# CITY OF OWOSSO, MICHIGAN

## Statement of Changes in Plan Net Position

Pension Trust Fund

For the Year Ended December 31, 2014

### Additions

Investment income:	
Interest and dividends	\$ 745,715
Net appreciation in fair value of investments	1,298,546
Total investment earnings	<u>2,044,261</u>
Investment expenses	<u>(185,419)</u>
Net investment income	<u>1,858,842</u>
Contributions:	
Employer	701,388
Plan members	221,638
Total contributions	<u>923,026</u>
Total additions	<u>2,781,868</u>
Deductions	
Benefit payments	2,444,889
Refunds of contributions	9,906
Administrative expenses	<u>36,025</u>
Total deductions	<u>2,490,820</u>
Change in net position	291,048
Net position, beginning of year	<u>33,392,671</u>
Net position, end of year	<u>\$ 33,683,719</u>

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

CITY OF OWOSSO, MICHIGAN

Combining Statement of Net Position  
Discretely Presented Component Units  
June 30, 2015

	Downtown Development Authority	Brownfield Redevelopment Authority	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 58,684	\$ -	\$ 58,684
Accounts receivable	106,207	-	106,207
Due from other governments	-	88,227	88,227
Inventories	-	89,812	89,812
<b>Total assets</b>	<b>164,891</b>	<b>178,039</b>	<b>342,930</b>
<b>Liabilities</b>			
Accounts payable	3,362	61,076	64,438
Due to other governments	-	91,025	91,025
Notes payable:			
Due within one year	-	8,899	8,899
Due in more than one year	-	178,779	178,779
<b>Total liabilities</b>	<b>3,362</b>	<b>339,779</b>	<b>343,141</b>
<b>Net position</b>			
Unrestricted (deficit)	\$ 161,529	\$ (161,740)	\$ (211)

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

# CITY OF OWOSSO, MICHIGAN

## Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2015

	Downtown Development Authority	Brownfield Redevelopment Authority	Total
Program expenses			
Downtown Development Authority	\$ 186,764	\$ -	\$ 186,764
Brownfield Redevelopment Authority	-	52,452	52,452
Total program expenses	186,764	52,452	239,216
Program revenues			
Operating grants and contributions	-	8,145	8,145
Net program revenue (expense)	(186,764)	(44,307)	(231,071)
General revenues			
Property taxes	184,938	66,242	251,180
Interest	3,000	-	3,000
Other	19,755	-	19,755
Total general revenues	207,693	66,242	273,935
Change in net position	20,929	21,935	42,864
Net position (deficit), beginning of year	140,600	(183,675)	(43,075)
Net position (deficit), end of year	\$ 161,529	\$ (161,740)	\$ (211)

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



## NOTES TO FINANCIAL STATEMENTS

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 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 or City Manager. These component units provide economic development and financing services to specific geographic areas within the City. These entities are fiscally dependent on the City because the City Council is responsible for approving any debt issuances and the annual operating budgets of all component units. All discretely presented component units use governmental fund type accounting. However, full accrual accounting is used for financial statement presentation.

The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The 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.

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

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

The government-wide financial statements (i.e., the statement of net 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 incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

*Enterprise funds* account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management *accountability*.

*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. This includes the Trust and Agency Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

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

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

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

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 non-participating (i.e., there is no available market for trade prior to maturity).

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

### *Receivables and Payables*

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

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

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are 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 change in expected and actual investment returns, assumptions, and benefits provided in its pension plans as well as for the deferred loss on refunding.

### *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 market value as of the donation date.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

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

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

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

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

### *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 governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### *Compensated Absences*

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

### *Long-Term Obligations*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of 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.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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.

### *Fund Equity*

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (the government's highest level of decision-making authority). A formal resolution of the City Council is required to establish, modify, or rescind a fund balance commitment. There was a formal resolution by the City Council to commit an amount equal to 25% of the average of General Fund expenditures based on a three-year moving average, from the General Fund fund balance, to be used for budget stabilization. The City reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has delegated the authority to assign fund balance to the City's management. Unassigned fund balance is the residual classification for the General Fund.

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

### *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.

## 2. BUDGETARY INFORMATION

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

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

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



# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 3. DEFICIT FUND EQUITY

The Façade' special revenue fund ended the year with a deficit fund balance of \$3,500.

The Brownfield Redevelopment Authority had a net deficit at the government-wide basis at year-end of \$161,740. The Brownfield Redevelopment Authority will capture property taxes in the future and use revenues from services to eliminate this deficit.

### 4. DEPOSITS AND INVESTMENTS

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

Following is a reconciliation of deposit and investment balances as of June 30, 2015:

	Primary Government	Component Units	Totals
<b>Statement of Net Position</b>			
Cash and investments	\$ 12,318,530	\$ 58,684	\$ 12,377,214
Restricted cash	3,097,051	-	3,097,051
<b>Statement of Net Position - Fiduciary Funds</b>			
<b>Pension Trust Fund:</b>			
Cash and cash equivalents	20,425	-	20,425
Cash held by ICMA	242,869	-	242,869
Investments	33,581,276	-	33,581,276
<b>Agency fund:</b>			
Cash and cash equivalents	17,487	-	17,487
<b>Total</b>	<b>\$ 49,277,638</b>	<b>\$ 58,684</b>	<b>\$ 49,336,322</b>
<b>Deposits and investments</b>			
Checking and savings accounts			\$ 9,752,383
Investments			39,582,164
Cash on hand			1,775
<b>Total</b>			<b>\$ 49,336,322</b>

*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, 2015, the carrying value of deposits owned by the City was \$9,608,392. Approximately \$821,000 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, MICHIGAN

## Notes to Financial Statements

Custodial Credit Risk - Investments. Following is a summary of the City's investments as of June 30, 2015 for the City and December 31, 2014 for the Pension Trust Fund:

Investments:	
Money market funds	\$ 3,852,232
Equities	25,439,851
Corporate bonds	4,254,962
Municipal obligations	1,577,496
Government securities	<u>4,457,623</u>
 Total	 <u><u>\$ 39,582,164</u></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, 2015, 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	Total
Due < 1 year	\$ -	\$ 754,504	\$ 754,504
Due in 1-5 years	1,097,764	3,499,537	4,597,301
Due in 6-10 years	-	3,166,241	3,166,241
Due in more than 10 years	-	1,642,447	1,642,447
No maturity	<u>4,903,124</u>	<u>24,518,547</u>	<u>29,421,671</u>
 Total	 <u><u>\$ 6,000,888</u></u>	 <u><u>\$ 33,581,276</u></u>	 <u><u>\$ 39,582,164</u></u>

### Moody's Rating

Money market funds	Not rated
Equities	Not rated
Corporate bonds	AAA-C
Municipal obligations	AA1-A3
Government securities	AAA-AA3

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

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

The Employee Retirement System's investment policy on credit risk for allowable debt securities follows the City. The credit rating for each investment type is identified in the above table for debt securities held at December 31, 2014.

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

### 5. RECEIVABLES

Receivables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 1,313,414	\$ 1,264,157	\$ 106,207
Taxes	25,174	-	-
Interest	58	12,500	-
Intergovernmental	91,028	-	88,227
Special assessments	309,478	-	-
	<u>1,739,152</u>	<u>1,276,657</u>	<u>194,434</u>
Total receivables	1,739,152	1,276,657	194,434
Less: Allowance for uncollectibles	<u>(3,500)</u>	<u>(3,000)</u>	<u>-</u>
Receivables, net	<u>\$ 1,735,652</u>	<u>\$ 1,273,657</u>	<u>\$ 194,434</u>

Of the special assessment receivable balance approximately \$263,000 is not expected to be collected within one year.

### 6. ACCOUNTS PAYABLE

Payables are comprised of the following at year-end:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 222,748	\$ 150,870	\$ 64,438
Due to other governments	88,227	-	91,025
Self-insurance liability	101,116	-	-
	<u>\$ 412,091</u>	<u>\$ 150,870</u>	<u>\$ 155,463</u>

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 7. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015, was as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 483,062	\$ 2,665,714
Major Streets Fund	7,230	213,494
Nonmajor governmental funds	875,865	387,915
Water Supply System Fund	125,249	77,066
Sewage Disposal System Fund	68,366	9,978
Wastewater Treatment System Fund	17,868	3,184
Internal service fund	1,779,711	-
	<u>\$ 3,357,351</u>	<u>\$ 3,357,351</u>

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.

For the year ended June 30, 2015, interfund transfers consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 52,355
Major Streets Fund	54,475	262,562
Nonmajor governmental funds	362,153	101,711
	<u>\$ 416,628</u>	<u>\$ 416,628</u>

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

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 8. CAPITAL ASSETS

#### Primary government

Capital asset activity for the primary government for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 4,699,340	\$ 6,916	\$ (56,803)	\$ -	\$ 4,649,453
Construction in progress	328,766	25,307	-	(328,766)	25,307
	<u>5,028,106</u>	<u>32,223</u>	<u>(56,803)</u>	<u>(328,766)</u>	<u>4,674,760</u>
Capital assets, being depreciated:					
Roads and sidewalks	46,992,075	421,122	(282,741)	328,766	47,459,222
Land improvements	3,567,597	-	(5,735)	-	3,561,862
Buildings	2,810,058	-	(10,450)	-	2,799,608
Vehicles	3,496,828	422,627	(276,355)	-	3,643,100
Office furnishings	1,291,285	-	-	-	1,291,285
Machinery and equipment	2,357,060	257,562	(330,233)	-	2,284,389
	<u>60,514,903</u>	<u>1,101,311</u>	<u>(905,514)</u>	<u>328,766</u>	<u>61,039,466</u>
Less accumulated depreciation for:					
Roads and sidewalks	(20,430,182)	(939,840)	-	-	(21,370,022)
Land improvements	(1,879,886)	(126,612)	-	-	(2,006,498)
Buildings	(2,138,033)	(62,747)	10,450	-	(2,190,330)
Vehicles	(2,475,045)	(143,699)	182,888	-	(2,435,856)
Office furnishings	(1,095,837)	(49,827)	-	-	(1,145,664)
Machinery and equipment	(1,584,961)	(155,679)	315,445	-	(1,425,195)
	<u>(29,603,944)</u>	<u>(1,478,404)</u>	<u>508,783</u>	<u>-</u>	<u>(30,573,565)</u>
Total capital assets being depreciated, net	<u>30,910,959</u>	<u>(377,093)</u>	<u>(396,731)</u>	<u>328,766</u>	<u>30,465,901</u>
Governmental activities capital assets, net	<u>\$ 35,939,065</u>	<u>\$ (344,870)</u>	<u>\$ (453,534)</u>	<u>\$ -</u>	<u>\$ 35,140,661</u>

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 527,234	\$ -	\$ -	\$ -	\$ 527,234
Construction in progress	277,000	-	(16,850)	-	260,150
	<u>804,234</u>	<u>-</u>	<u>(16,850)</u>	<u>-</u>	<u>787,384</u>
Capital assets, being depreciated:					
Buildings	13,239,935	-	-	-	13,239,935
Improvements, other than buildings	10,851,725	-	-	-	10,851,725
Vehicles	13,792	-	-	-	13,792
Machinery and equipment	10,266,847	-	-	-	10,266,847
	<u>34,372,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,372,299</u>
Less accumulated depreciation for:					
Buildings	(6,945,739)	(256,636)	-	-	(7,202,375)
Improvements, other than buildings	(4,972,642)	(186,901)	-	-	(5,159,543)
Vehicles	(13,770)	-	-	-	(13,770)
Machinery and equipment	(10,029,680)	(78,215)	-	-	(10,107,895)
	<u>(21,961,831)</u>	<u>(521,752)</u>	<u>-</u>	<u>-</u>	<u>(22,483,583)</u>
Total capital assets being depreciated, net	<u>12,410,468</u>	<u>(521,752)</u>	<u>-</u>	<u>-</u>	<u>11,888,716</u>
Business-type activities capital assets, net	<u>\$ 13,214,702</u>	<u>\$ (521,752)</u>	<u>\$ (16,850)</u>	<u>\$ -</u>	<u>\$ 12,676,100</u>

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

**Depreciation of governmental activities by function:**

General government	\$ 111,944
Public safety	139,591
Public works	944,367
Community and economic development	18,135
Recreation and culture	93,107
Internal service fund	171,260
	<u>\$ 1,478,404</u>

**Depreciation of business-type activities by function:**

Water supply system	\$ 274,336
Sewage disposal system	46,274
Wastewater treatment	201,142
	<u>\$ 521,752</u>

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 9. LONG-TERM DEBT

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

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
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	\$ 990,000	\$ -	\$ (20,000)	\$ 970,000	\$ 20,000
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	805,000	-	(35,000)	770,000	40,000
2010 General Obligation Limited Tax bonds, \$960,000, due in annual installments of \$15,000 to \$65,000 through November 1, 2030, interest at 2.35 to 2.43%, payable semi-annually	905,000	-	(20,000)	885,000	25,000
2015 capital lease payable, \$324,271, due in annual installments of \$68,096 through June 10, 2019 including interest at 2.40%	-	324,271	(68,096)	256,175	61,692

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
(concluded)					
CISCO Phone System Installment					
Purchase, \$123,465 due in annual installments of \$23,407 to \$25,665 through November 15, 2016, interest at 2.88 % payable annually					
	\$ 74,393	\$ -	\$ (24,089)	\$ 50,304	\$ 24,791
2000 HVAC Installment Purchase, repaid during 2015					
	115,000	-	(115,000)	-	-
Total	2,889,393	324,271	(282,185)	2,931,479	171,483
Compensated absences	382,159	373,244	(407,027)	348,376	87,094
Landfill remediation liability	148,772	30,660	(89,716)	89,716	89,716
<b>Total governmental activities</b>	<b>\$ 3,420,324</b>	<b>\$ 728,175</b>	<b>\$ (778,928)</b>	<b>\$ 3,369,571</b>	<b>\$ 348,293</b>
<b>Business-type Activities</b>					
Revenue Bond Series 2012 Refunding, \$3,800,000 due in annual installments of \$55,000 to \$505,000 through November 1, 2022, interest at 2.00 to 3.25%, payable semi-annually					
	\$ 3,490,000	\$ -	\$ (280,000)	\$ 3,210,000	\$ 305,000
State Revolving Fund 2009 Sewer System, \$801,786, due in annual installments of \$30,000 to \$51,786 through April 1, 2028, interest at 2.50%, payable semi-annually					
	611,786	-	(35,000)	576,786	35,000
<b>Total business-type activities bonds</b>	<b>4,101,786</b>	<b>-</b>	<b>(315,000)</b>	<b>3,786,786</b>	<b>340,000</b>
Compensated absences	112,260	70,400	(66,526)	116,134	29,034
<b>Total business-type activities</b>	<b>\$ 4,214,046</b>	<b>\$ 70,400</b>	<b>\$ (381,526)</b>	<b>\$ 3,902,920</b>	<b>\$ 369,034</b>
<b>Discretely-Presented Component Units</b>					
Cass Street loan from primary government					
	\$ 192,515	\$ -	\$ (4,837)	\$ 187,678	\$ 8,899



# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

The capital lease payable is for a Vactor vehicle with a cost of \$404,771 and accumulated depreciation of \$33,730 as of June 30, 2015.

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

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 171,483	\$ 119,281	\$ 340,000	\$ 103,855
2017	188,746	114,387	365,000	93,456
2018	179,815	108,838	390,000	84,080
2019	196,435	103,112	425,000	73,881
2020	140,000	96,650	450,000	60,956
2021-2025	810,000	392,265	1,660,000	106,928
2026-2030	910,000	192,906	156,786	7,880
2031-2034	335,000	28,551	-	-
	<u>\$ 2,931,479</u>	<u>\$ 1,155,990</u>	<u>\$ 3,786,786</u>	<u>\$ 531,036</u>

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

Year Ended June 30,	Principal	Interest
2016	\$ 8,899	\$ 10,501
2017	9,460	10,023
2018	10,028	9,461
2019	10,630	8,894
2020	11,246	8,292
2021-2025	67,305	31,133
2026-2027	70,110	8,769
	<u>\$ 187,678</u>	<u>\$ 87,073</u>

Compensated absences of the governmental activities are generally liquidated by the General fund and the internal service fund.

### Advance Refunding

On August 8, 2012, the City issued revenue bond series 2012 of \$3,800,000. As a result of refunding of the bond series, the City realized an economic gain of \$366,136. 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 \$3,225,000.

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 revenue of the system was \$874,628 compared to the annual debt requirements of approximately \$378,000.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 10. RESTRICTED ASSETS

The balances of the restricted asset accounts are as follows:

	Governmental Activities	Business-Type Activities
MMRMA-self insurance	\$ 189,090	\$ -
Revenue bond restrictions:		
Revenue bond reserve	-	350,000
Improvement and replacement fund	-	2,557,961
	<u>\$ 189,090</u>	<u>\$ 2,907,961</u>

### 11. RISK MANAGEMENT

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

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

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

At June 30, 2015, the City has \$189,090 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:

	2015	2014
Unpaid claims - beginning of year	\$ 63,262	\$ 103,322
Incurred claims (including claims incurred but not reported)	142,854	19,777
Claim payments	<u>(105,000)</u>	<u>(59,837)</u>
Unpaid claims - end of year	101,116	63,262
Assets held on deposit with Authority	<u>189,090</u>	<u>263,830</u>
Net position - end of year	<u>\$ 87,974</u>	<u>\$ 200,568</u>

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 12. CONTINGENT LIABILITIES

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

### 13. 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 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.

*Plan Membership.* At December 31, 2014, the date of the most recent valuation, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	84
Inactive, nonretired members	6
Current active members	<u>58</u>
Total membership	<u><u>148</u></u>

*Benefits Provided.* Employees who retire with minimum age and years of service requirements are entitled to annual retirement benefits, payable in monthly installments for life, in an amount equal to a percentage of their final average compensation times years of credited service. Final average compensation is defined as the average of the highest annual compensation paid over 3 consecutive years of credited service within the last 10 years of credited service immediately preceding a member's termination of employment.

*Contributions.* The contributions requirements of Plan members are established and may be amended by the City Council in accordance with City's policies, union contracts, and Plan provisions. The City is required to contribute at an actuarially determined rate expressed as a percentage of covered payroll. The current rate ranges from 4.00% to 29.27% of annual covered payroll depending on the employee group. Plan members of the general, police non-union and fire contribute at rates of 6.0%, 6.0% and 7.0%, respectively, of their annual salary. The police union members contribute any amount over the City's maximum contribution of 4.0%.

*Rate of Return.* For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was .36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

*Actuarial Assumptions.* The City's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied consistently to all periods included in the measurement:

Wage inflation	4.50%
Price inflation	No explicit price inflation assumption was used
Salary increases	4.50% to 17.30% 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 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, 2014 valuation were based on the results of an actuarial experience study as of December 31, 2012.

*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, 2014, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equities	52.00%	8.00%	4.16%
International equities	15.00%	8.10%	1.22%
Domestic fixed income	30.00%	2.60%	0.78%
Cash and cash equivalents	3.00%	1.00%	0.03%
	<u>100.00%</u>		<u>6.19%</u>
Inflation			2.00%
Risk adjustments			<u>-0.94%</u>
Investment rate of return			<u><u>7.25%</u></u>

# CITY OF OWOSSO, MICHIGAN

## Notes to 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:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2013	\$ 35,821,263	\$ 33,392,671	\$ 2,428,592
Changes for the year:			
Service cost	476,628	-	476,628
Interest	2,525,333	-	2,525,333
Changes in benefit terms	-	-	-
Differences between expected and actual experience	345,843	-	345,843
Changes in assumptions	-	-	-
Employer contributions	-	701,388	(701,388)
Employee contributions	-	221,638	(221,638)
Net investment income	-	1,858,842	(1,858,842)
Benefit payments, including refunds of employee contributions	(2,454,795)	(2,454,795)	-
Administrative expense	-	(36,025)	36,025
Net changes	<u>893,009</u>	<u>291,048</u>	<u>601,961</u>
Balances at December 31, 2014	<u>\$ 36,714,272</u>	<u>\$ 33,683,719</u>	<u>\$ 3,030,553</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's net pension liability (asset)	\$ 6,824,526	\$ 3,030,553	\$ (203,183)

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

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

For the year ended June 30, 2015, the City recognized pension expense of \$631,871. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in benefit terms	\$ -	\$ -	\$ -
Difference between expected and actual experience	267,242	-	267,242
Changes in assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	434,931	-	434,931
	<u>702,173</u>	<u>-</u>	<u>702,173</u>
Contributions subsequent to measurement date	559,281	-	559,281
	<u>559,281</u>	<u>-</u>	<u>559,281</u>
<b>Total</b>	<u>\$ 1,261,454</u>	<u>\$ -</u>	<u>\$ 1,261,454</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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ 187,334
2017	187,334
2018	187,334
2019	<u>140,171</u>
Total	<u>\$ 702,173</u>

*Payable to the Pension Plan.* At June 30, 2015, the City did not have any outstanding contributions due to the pension plan required for the year ended June 30, 2015.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 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. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. 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](http://www.mersofmich.com).

*Benefits Provided.* Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 year period) and multipliers ranging from 1.00% to 2.50%. Participants are considered to be fully vested in the plan after 6 years. Normal retirement age is 60 with early retirement at age 55 with 15 or more years of service or 50 with 25 years of service. Members contribute 18.58% of their annual salary.

*Employees Covered by Benefit Terms.* At December 31, 2014, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>5</u>
 Total membership	 <u><u>20</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. Employer contributions 14.58% of annual payroll.

*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3% to 4%
Salary increases	4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)
Investment rate of return	8.25%, net of investment expense and including inflation

Mortality rates used were based on the 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.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted in 2009.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.50%	5.02%	2.89%
Global fixed income	20.00%	2.18%	0.44%
Real Assets	12.50%	4.23%	0.53%
Diversifying strategies	<u>10.00%</u>	6.54%	0.64%
	<u>100.00%</u>		
Inflation			3.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>8.25%</u>

*Discount Rate.* The discount rate used to measure the total pension liability is 8.25%. 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, MICHIGAN

## Notes to Financial Statements

### *Changes in Net Pension Liability*

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2013	\$ 4,575,011	\$ 3,343,262	\$ 1,231,749
Changes for the year:			
Service cost	56,663	-	56,663
Interest	364,054	-	364,054
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	50,484	(50,484)
Employee contributions	-	59,724	(59,724)
Net investment income	-	205,685	(205,685)
Benefit payments, including refunds of employee contributions	(381,134)	(381,134)	-
Administrative expense	-	(7,495)	7,495
Other changes	-	-	-
Net changes	<u>39,583</u>	<u>(72,736)</u>	<u>112,319</u>
Balances at December 31, 2014	<u>\$ 4,614,594</u>	<u>\$ 3,270,526</u>	<u>\$ 1,344,068</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 8.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's net pension liability	\$ 1,792,403	\$ 1,344,068	\$ 964,305

*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, MICHIGAN

## Notes to Financial Statements

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

For the year ended June 30, 2015, the City recognized pension expense of \$115,884. The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	46,919	-	46,919
	<u>46,919</u>	<u>-</u>	<u>46,919</u>
Contributions subsequent to the measurement date	22,855	-	22,855
	<u>22,855</u>	<u>-</u>	<u>22,855</u>
<b>Total</b>	<u>\$ 69,774</u>	<u>\$ -</u>	<u>\$ 69,774</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, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2016	\$ 11,730
2017	11,730
2018	11,730
2019	11,729
	<u>11,729</u>
Total	<u>\$ 46,919</u>

*Payable to the Pension Plan.* At June 30, 2015, the City reported a payable of \$3,517 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

## 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 \$49,573 during the current year and employees contributed \$45,959 during the year. At June 30, 2015, there were 21 employees participating in the plan and the City's liability to the plan was \$0.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 16. CONSTRUCTION CODE FEES

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

Shortfall at July 1, 2014	\$ (320,340)
Current year building permit revenue	145,386
Related expenses - Direct costs	<u>(56,849)</u>
Cumulative shortfall at June 30, 2015	<u>\$ (231,803)</u>

### 17. POLLUTION REMEDIATION

The Michigan Department of Environmental Quality (MDEQ), in written communication, alleges the City is one of several potential responsible parties for response costs related to the former Shiawassee Sanitary Landfill site. The State’s claimed costs are estimated to be in excess of \$900,000. The MDEQ letter also invites the recipient parties to voluntarily perform additional response activities. The site was privately owned and operated in a neighboring township and ceased business decades ago. The allegation relates to the City, as a customer, and its contribution to the pollution. A working group, consisting of some potential responsible parties that received demand letters from the MDEQ, without admitting fault or liability, has obtained cost proposals for remedial activities. The City has calculated and recorded the potential remaining remediation liability of \$89,716 using an expected cash flows technique applied to probabilities, ranges, and assumptions from the cost proposals and claimed costs of the State as of June 30, 2015. Prevailing law in this matter is not expected to change significantly if litigation commences.

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 18. FUND BALANCE CLASSIFICATIONS

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Inventory	\$ 125,505	\$ -	\$ -	\$ 125,505
Restricted for:				
Debt service	-	-	1,331	1,331
Housing	-	-	14	14
Historical	-	-	80,934	80,934
Street capital projects	-	-	440,722	440,722
Streets	-	19,257	1,299,533	1,318,790
Total restricted	-	19,257	1,822,534	1,841,791
Committed for:				
Budget stabilization	1,570,456	-	-	1,570,456
Assigned for:				
Capital projects	-	-	844,628	844,628
Building Authority	-	-	65,742	65,742
DDA construction	-	-	35,592	35,592
Subdivision	-	-	53,241	53,241
Subdivision debt	244,000	-	-	244,000
Pollution remediation	89,716	-	-	89,716
Compensated absences	348,376	-	-	348,376
Special assessment	100,000	-	-	100,000
Economic development	500,000	-	-	500,000
Owosso drain	190,727	-	-	190,727
Total assigned	1,472,819	-	999,203	2,472,022
Unassigned	920,030	-	(3,500)	916,530
Total fund balances - governmental funds	\$ 4,088,810	\$ 19,257	\$ 2,818,237	\$ 6,926,304

# CITY OF OWOSSO, MICHIGAN

## Notes to Financial Statements

### 19. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2015, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Being depreciated, net	\$ 30,465,901	\$ 11,888,716
Not being depreciated	4,674,760	787,384
	<u>35,140,661</u>	<u>12,676,100</u>
Related debt:		
Bonds and notes payable	2,931,479	3,786,786
Less unspent bond proceeds	<u>(440,722)</u>	<u>-</u>
Net investment in capital assets	<u>\$ 32,649,904</u>	<u>\$ 8,889,314</u>

### 20. RESTATEMENT

The City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result of this change, beginning net position of governmental activities, business-type activities, water supply system enterprise fund, sewage disposal system enterprise fund and wastewater treatment system enterprise fund were decreased by \$2,379,068, \$552,706, \$259,081, \$51,816 and \$241,809, respectively.



## REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF OWOSSO, MICHIGAN

## Required Supplementary Information

### Employees' Retirement System Single Employer Pension Plan

#### Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended June 30, 2015
Total pension liability	
Service cost	\$ 476,628
Interest	2,525,333
Changes in benefit terms	-
Differences between expected and actual experience	345,843
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(2,454,795)
Net change in total pension liability	<u>893,009</u>
Total pension liability, beginning of year	<u>35,821,263</u>
Total pension liability, end of year	<u>36,714,272</u>
Plan fiduciary net position	
Employer contributions	701,388
Employee contributions	221,638
Net investment income	1,858,842
Benefit payments, including refunds of employee contributions	(2,454,795)
Administrative expense	(36,025)
Net change in plan fiduciary net position	<u>291,048</u>
Plan fiduciary net position, beginning of year	<u>33,392,671</u>
Plan fiduciary net position, end of year	<u>33,683,719</u>
City's net pension liability	<u>\$ 3,030,553</u>
Plan fiduciary net position as a percentage of total pension liability	91.75%
Covered-employee payroll	<u>\$ 2,938,821</u>
City's net pension liability as a percentage of covered-employee payroll	103.12%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

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

CITY OF OWOSSO, MICHIGAN

**Required Supplementary Information**  
 Employees' Retirement System

Schedule of the Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 36,714,272	\$ 33,683,719	\$ 3,030,553	91.7%	\$ 2,938,821	103.12%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

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



# CITY OF OWOSSO, MICHIGAN

## Required Supplementary Information Employees' Retirement System

### Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2015	\$ 559,281	\$ 559,281	\$ -	\$ 3,028,775	18.5%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

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

#### Notes to Schedule of Contributions

**Valuation Date** Actuarially determined contribution rates are calculated as of July 1 each year, which is 6 months after the valuation date.

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal for open groups, aggregate for closed groups
Amortization method	Level percent of payroll for open groups, N/A for closed groups
Remaining amortization period	Open groups 10 years
Asset valuation method	4-year smooth market
Wage inflation	4.50%
Price inflation	No explicit price inflation assumption was used
Salary increases	4.50% to 17.30% including inflation
Investment rate of return	7.50%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	1994 Group Annuity Mortality Tables
Other information	(1) If asset reserves for retiree liabilities exceed the retiree liabilities, the difference is held as a contingency reserve (by Board policy) and added to the liabilities. As of December 31, 2014, the contingency reserve was \$854,393. If the contingency was removed, the net pension liability would decrease by \$854,393.  (2) Employer contributions for police officers is capped at 4% of payroll by bargaining agreement.

# CITY OF OWOSSO, MICHIGAN

## Required Supplementary Information Employees' Retirement System

### Schedule of Investment Returns

Fiscal Year Ending December 31,	Annual Return <sup>(1)</sup>
2014	0.36%

<sup>(1)</sup> Annual money-weighted rate of return, net of investment expenses

Note: GASB 67 was implemented in the pension trust fund's fiscal year 2014. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

# CITY OF OWOSSO, MICHIGAN

## Required Supplementary Information

### MERS Agent Multiple-Employer Defined Benefit Pension Plan

#### Schedule of Changes in the City's Net Pension Liability and Related Ratios

	Year Ended June 30, 2015
Total pension liability	
Service cost	\$ 56,663
Interest	364,054
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(381,134)
Net change in total pension liability	<u>39,583</u>
Total pension liability, beginning of year	<u>4,575,011</u>
Total pension liability, end of year	<u>\$ 4,614,594</u>
Plan fiduciary net position	
Employer contributions	50,484
Employee contributions	59,724
Net investment income	205,685
Benefit payments, including refunds of employee contributions	(381,134)
Administrative expense	(7,495)
Other	-
Net change in plan fiduciary net position	<u>(72,736)</u>
Plan fiduciary net position, beginning of year	<u>3,343,262</u>
Plan fiduciary net position, end of year	<u>\$ 3,270,526</u>
City's net pension liability	<u>\$ 1,344,068</u>
Plan fiduciary net position as a percentage of total pension liability	70.87%
Covered-employee payroll	339,241
City's net pension liability as a percentage of covered-employee payroll	396.2%

#### Notes:

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

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

CITY OF OWOSSO, MICHIGAN

**Required Supplementary Information**  
MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of the City's Net Pension Liability

Fiscal Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered-Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 4,614,594	\$ 3,270,526	\$ 1,344,068	70.9%	\$ 339,241	396.20%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

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

# CITY OF OWOSSO, MICHIGAN

## Required Supplementary Information MERS Agent Multiple-Employer Defined Benefit Pension Plan

### Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2015	\$ 46,402	\$ 46,402	\$ -	\$ 311,669	14.9%

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

#### Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of December 31, which is 12 months prior to the beginning of the fiscal year in which contributions are

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll
Remaining amortization period	24 years
Asset valuation method	Open; 10-year smooth market
Inflation	3.0% to 4.0%
Salary increases	4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)
Investment rate of return	8.25%
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the December 31, 2011 valuation. The next study is scheduled for 2016.
Mortality	50% Male - 50% Female blend of the 1994 Group Annuity Mortality Table. 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.

## OTHER SUPPLEMENTAL INFORMATION

# CITY OF OWOSSO, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Special Revenue	Debt Service	Capital Projects	Total
<b>Assets</b>				
Cash and investments	\$ 233,567	\$ 951	\$ 1,428,524	\$ 1,663,042
Receivables, net:				
Accounts	450,690	-	-	450,690
Special assessments	-	309,478	-	309,478
Accrued interest	58	-	-	58
Due from other funds	809,443	680	65,742	875,865
Land held for sale	-	-	240,000	240,000
<b>Total assets</b>	<b>\$ 1,493,758</b>	<b>\$ 311,109</b>	<b>\$ 1,734,266</b>	<b>\$ 3,539,133</b>
<b>Liabilities</b>				
Accounts payable	\$ 19,098	\$ -	\$ -	\$ 19,098
Accrued liabilities	770	-	-	770
Accrued wages payable	3,635	-	-	3,635
Due to other funds	93,274	300	294,341	387,915
<b>Total liabilities</b>	<b>116,777</b>	<b>300</b>	<b>294,341</b>	<b>411,418</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessments	-	309,478	-	309,478
<b>Fund balances (deficit)</b>				
Restricted	1,380,481	1,331	440,722	1,822,534
Assigned	-	-	999,203	999,203
Unassigned (deficit)	(3,500)	-	-	(3,500)
<b>Total fund balances</b>	<b>1,376,981</b>	<b>1,331</b>	<b>1,439,925</b>	<b>2,818,237</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,493,758</b>	<b>\$ 311,109</b>	<b>\$ 1,734,266</b>	<b>\$ 3,539,133</b>

# CITY OF OWOSSO, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2015

	Special Revenue	Debt Service	Capital Projects	Total
<b>Revenues</b>				
Property taxes	\$ -	\$ 66,251	\$ -	\$ 66,251
Intergovernmental	332,465	74,135	-	406,600
Charges for services	34,871	-	-	34,871
Sales	1,986	-	-	1,986
Special assessments	96,656	-	-	96,656
Interest	3,429	5	487	3,921
Miscellaneous	13,991	-	11,379	25,370
<b>Total revenues</b>	<b>483,398</b>	<b>140,391</b>	<b>11,866</b>	<b>635,655</b>
<b>Expenditures</b>				
Current:				
General government:				
Other	950	-	-	950
Preservation and maintenance	25,437	-	-	25,437
General and administrative	104,326	-	-	104,326
Public works:				
Preservation and maintenance	683,887	-	-	683,887
General and administrative	26,600	-	850	27,450
Community and economic development				
	3,500	-	-	3,500
Capital outlay	-	-	13,932	13,932
Debt service:				
Principal	-	75,000	-	75,000
Interest	-	126,950	-	126,950
<b>Total expenditures</b>	<b>844,700</b>	<b>201,950</b>	<b>14,782</b>	<b>1,061,432</b>
Revenues under expenditures	(361,302)	(61,559)	(2,916)	(425,777)
<b>Other financing sources (uses)</b>				
Transfers in	362,153	-	-	362,153
Transfers out	(21,936)	-	(79,775)	(101,711)
<b>Total other financing sources (uses)</b>	<b>340,217</b>	<b>-</b>	<b>(79,775)</b>	<b>260,442</b>
<b>Net change in fund balances</b>	<b>(21,085)</b>	<b>(61,559)</b>	<b>(82,691)</b>	<b>(165,335)</b>
Fund balances, beginning of year	1,398,066	62,890	1,522,616	2,983,572
<b>Fund balances, end of year</b>	<b>\$ 1,376,981</b>	<b>\$ 1,331</b>	<b>\$ 1,439,925</b>	<b>\$ 2,818,237</b>



# CITY OF OWOSSO, MICHIGAN

## Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2015

	Local Streets	Revolving Loan	Housing and Redevelopment
<b>Assets</b>			
Cash and investments	\$ -	\$ 141,769	\$ -
Receivables, net:			
Accounts	84,150	366,540	-
Accrued interest	-	-	-
Due from other funds	18,106	790,363	974
<b>Total assets</b>	<u>\$ 102,256</u>	<u>\$ 1,298,672</u>	<u>\$ 974</u>
<b>Liabilities</b>			
Accounts payable	\$ 14,502	\$ -	\$ 59
Accrued liabilities	-	-	-
Accrued wages payable	1,745	-	901
Due to other funds	85,148	-	-
<b>Total liabilities</b>	<u>101,395</u>	<u>-</u>	<u>960</u>
<b>Fund balances (deficit)</b>			
Restricted	861	1,298,672	14
Unassigned (deficit)	-	-	-
<b>Total fund balances (deficit)</b>	<u>861</u>	<u>1,298,672</u>	<u>14</u>
<b>Total liabilities and fund balances</b>	<u>\$ 102,256</u>	<u>\$ 1,298,672</u>	<u>\$ 974</u>



Historical	Façade'	Total
\$ 91,798	\$ -	\$ 233,567
-	-	450,690
58	-	58
-	-	809,443
<u>\$ 91,856</u>	<u>\$ -</u>	<u>\$ 1,493,758</u>

\$ 4,537	\$ -	\$ 19,098
770	-	770
989	-	3,635
<u>4,626</u>	<u>3,500</u>	<u>93,274</u>
<u>10,922</u>	<u>3,500</u>	<u>116,777</u>

80,934	-	1,380,481
-	(3,500)	(3,500)
<u>80,934</u>	<u>(3,500)</u>	<u>1,376,981</u>
<u>\$ 91,856</u>	<u>\$ -</u>	<u>\$ 1,493,758</u>

# CITY OF OWOSSO, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2015

	Local Streets Fund	Revolving Loan	Housing and Redevelopment
<b>Revenues</b>			
Intergovernmental	\$ 326,150	\$ 6,315	\$ -
Charges for services	-	-	19,681
Sales	-	-	-
Special assessments	96,656	-	-
Interest	-	3,252	-
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>422,806</b>	<b>9,567</b>	<b>19,681</b>
<b>Expenditures</b>			
Current:			
General government:			
Other	-	950	-
Preservation and maintenance	-	-	-
General and administrative	-	-	41,617
Public works:			
Preservation and maintenance	683,887	-	-
General and administrative	26,600	-	-
Community and economic development	-	-	-
<b>Total expenditures</b>	<b>710,487</b>	<b>950</b>	<b>41,617</b>
<b>Revenues over (under) expenditures</b>	<b>(287,681)</b>	<b>8,617</b>	<b>(21,936)</b>
<b>Other financing sources (uses)</b>			
Transfers in	287,862	-	21,936
Transfers out	-	(21,936)	-
<b>Total other financing sources (uses)</b>	<b>287,862</b>	<b>(21,936)</b>	<b>21,936</b>
<b>Net change in fund balances</b>	<b>181</b>	<b>(13,319)</b>	<b>-</b>
<b>Fund balances, beginning of year</b>	<b>680</b>	<b>1,311,991</b>	<b>14</b>
<b>Fund balances (deficit), end of year</b>	<b>\$ 861</b>	<b>\$ 1,298,672</b>	<b>\$ 14</b>



Historical	Façade'	Total
\$ -	\$ -	\$ 332,465
15,190	-	34,871
1,986	-	1,986
-	-	96,656
177	-	3,429
13,991	-	13,991
<u>31,344</u>	<u>-</u>	<u>483,398</u>
-	-	950
25,437	-	25,437
62,709	-	104,326
-	-	683,887
-	-	26,600
-	3,500	3,500
<u>88,146</u>	<u>3,500</u>	<u>844,700</u>
<u>(56,802)</u>	<u>(3,500)</u>	<u>(361,302)</u>
52,355	-	362,153
-	-	(21,936)
<u>52,355</u>	<u>-</u>	<u>340,217</u>
(4,447)	(3,500)	(21,085)
<u>85,381</u>	<u>-</u>	<u>1,398,066</u>
<u>\$ 80,934</u>	<u>\$ (3,500)</u>	<u>\$ 1,376,981</u>

# CITY OF OWOSSO, MICHIGAN

## Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2015

	2013 General Obligation Bonds	2010 General Obligation Bonds	2009 Limited Tax General Obligation Bonds	2015 Special Assessment Limited Tax Bonds
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ -
Receivables, net:				
Special assessments	-	-	-	6,848
Due from other funds	667	13	-	-
<b>Total assets</b>	<u>\$ 667</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 6,848</u>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	-	6,848
<b>Fund balances</b>				
Restricted	667	13	-	-
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 667</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 6,848</u>

2014 Special Assessment Limited Tax Bonds	2013 Special Assessment Limited Tax Bonds	2012 Special Assessment Limited Tax Bonds	2011 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2009 Special Assessment Limited Tax Bonds	2008 Special Assessment Limited Tax Bonds
\$ 615	\$ 300	\$ -	\$ -	\$ -	\$ 36	\$ -
40,872	40,285	110,521	65,005	13,910	11,142	7,217
-	-	-	-	-	-	-
<u>\$ 41,487</u>	<u>\$ 40,585</u>	<u>\$ 110,521</u>	<u>\$ 65,005</u>	<u>\$ 13,910</u>	<u>\$ 11,178</u>	<u>\$ 7,217</u>
\$ -	\$ 300	\$ -	\$ -	\$ -	\$ -	\$ -
40,872	40,285	110,521	65,005	13,910	11,142	7,217
615	-	-	-	-	36	-
<u>\$ 41,487</u>	<u>\$ 40,585</u>	<u>\$ 110,521</u>	<u>\$ 65,005</u>	<u>\$ 13,910</u>	<u>\$ 11,178</u>	<u>\$ 7,217</u>

continued...

# CITY OF OWOSSO, MICHIGAN

## Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2015

	2007 Special Assessment Limited Tax Bonds	2006 Special Assessment Limited Tax Bonds	Total
<b>Assets</b>			
Cash and investments	\$ -	\$ -	\$ 951
Receivables, net:			
Special assessments	9,378	4,300	309,478
Due from other funds	-	-	680
<b>Total assets</b>	<u>\$ 9,378</u>	<u>\$ 4,300</u>	<u>\$ 311,109</u>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ -	\$ 300
Deferred inflows of resources			
Unavailable revenue - special assessments	9,378	4,300	309,478
<b>Fund balances</b>			
Restricted	-	-	1,331
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 9,378</u>	<u>\$ 4,300</u>	<u>\$ 311,109</u>

Concluded

# CITY OF OWOSSO, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Debt Service Funds For the Year Ended June 30, 2015

	2013 General Obligation Bonds	2010 General Obligation Bonds	2009 Limited Tax General Obligation Bonds	2015 Special Assessment Limited Tax Bonds
<b>Revenues</b>				
Property Taxes	\$ 8,249	\$ 57,087	\$ -	\$ -
Intergovernmental	-	-	74,135	-
Interest	-	-	-	-
<b>Total revenues</b>	<b>8,249</b>	<b>57,087</b>	<b>74,135</b>	<b>-</b>
<b>Expenditures</b>				
Debt service:				
Principal	20,000	20,000	35,000	-
Interest	50,382	37,133	39,135	-
<b>Total expenditures</b>	<b>70,382</b>	<b>57,133</b>	<b>74,135</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(62,133)</b>	<b>(46)</b>	<b>-</b>	<b>-</b>
Fund balances, beginning of year	62,800	59	-	-
<b>Fund balances, end of year</b>	<b>\$ 667</b>	<b>\$ 13</b>	<b>\$ -</b>	<b>\$ -</b>





2014 Special Assessment Limited Tax Bonds	2013 Special Assessment Limited Tax Bonds	2012 Special Assessment Limited Tax Bonds	2011 Special Assessment Limited Tax Bonds	2010 Special Assessment Limited Tax Bonds	2009 Special Assessment Limited Tax Bonds
\$ 615	\$ 300	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	5
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
615	300	-	-	-	5
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-	-	-
-	300	-	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	300	-	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
615	-	-	-	-	5
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-	-	31
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 615	\$ -	\$ -	\$ -	\$ -	\$ 36
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

continued...

# CITY OF OWOSSO, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Debt Service Funds For the Year Ended June 30, 2015

	2008 Special Assessment Limited Tax Bonds	2007 Special Assessment Limited Tax Bonds	2006 Special Assessment Limited Tax Bonds	Total
<b>Revenues</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ 66,251
Intergovernmental	-	-	-	74,135
Interest	-	-	-	5
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,391</b>
<b>Expenditures</b>				
Debt service:				
Principal	-	-	-	75,000
Interest	-	-	-	126,950
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201,950</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61,559)</b>
Fund balances, beginning of year	-	-	-	62,890
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,331</b>

concluded

# CITY OF OWOSSO, MICHIGAN

## Combining Balance Sheet Nonmajor Capital Projects Funds June 30, 2015

	Capital Projects	2011 Street Program	Building Authority
<b>Assets</b>			
Cash and investments	\$ 844,628	\$ 546,383	\$ -
Due from other funds	-	-	65,742
Other assets	-	-	-
<b>Total assets</b>	<u>\$ 844,628</u>	<u>\$ 546,383</u>	<u>\$ 65,742</u>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 105,661	\$ -
<b>Fund balances</b>			
Restricted	-	440,722	-
Assigned	844,628	-	65,742
<b>Total fund balances</b>	<u>844,628</u>	<u>440,722</u>	<u>65,742</u>
<b>Total liabilities and fund balances</b>	<u>\$ 844,628</u>	<u>\$ 546,383</u>	<u>\$ 65,742</u>



DDA Construction Fund	Subdivision	Total
\$ 37,513	\$ -	\$ 1,428,524
-	-	65,742
<u>-</u>	<u>240,000</u>	<u>240,000</u>
<u>\$ 37,513</u>	<u>\$ 240,000</u>	<u>\$ 1,734,266</u>
<u>\$ 1,921</u>	<u>\$ 186,759</u>	<u>\$ 294,341</u>
-	-	440,722
<u>35,592</u>	<u>53,241</u>	<u>999,203</u>
<u>35,592</u>	<u>53,241</u>	<u>1,439,925</u>
<u>\$ 37,513</u>	<u>\$ 240,000</u>	<u>\$ 1,734,266</u>

# CITY OF OWOSSO, MICHIGAN

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Capital Projects Funds For the Year Ended June 30, 2015

	Capital Projects	2011 Street Program	Building Authority
Revenues			
Interest	\$ -	\$ 456	\$ -
Miscellaneous	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>456</b>	<b>-</b>
Expenditures			
Current:			
Public works:			
General and administrative	-	850	-
Capital outlay	-	-	104
<b>Total expenditures</b>	<b>-</b>	<b>850</b>	<b>104</b>
Revenues over (under) expenditures	-	(394)	(104)
Other financing sources (uses)			
Transfers out	-	(79,775)	-
Net change in fund balances	-	(80,169)	(104)
Fund balances, beginning of year	844,628	520,891	65,846
Fund balances, end of year	\$ 844,628	\$ 440,722	\$ 65,742



DDA Construction Fund	Subdivision	Total
\$ 31	\$ -	\$ 487
-	11,379	11,379
<u>31</u>	<u>11,379</u>	<u>11,866</u>
-	-	850
13,828	-	13,932
<u>13,828</u>	<u>-</u>	<u>14,782</u>
(13,797)	11,379	(2,916)
-	-	(79,775)
(13,797)	11,379	(82,691)
49,389	41,862	1,522,616
<u>\$ 35,592</u>	<u>\$ 53,241</u>	<u>\$ 1,439,925</u>

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

December 18, 2015

To the City Council  
of the 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 18, 2015.

#### 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 City'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.

*Rehmann Johnson LLC*