



**CITY OF OWOSSO
SHIAWASSEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Owosso
Owosso, Michigan

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the defined benefit

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

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

Gabridge & Company, PLC
Grand Rapids, Michigan
December 30, 2022

Management's Discussion and Analysis

City of Owosso
Management's Discussion and Analysis
June 30, 2022

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

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$72,309,324 (net position).
- The total net position for the City is \$72,309,324. Of this amount, \$10,821,753, or 15%, is unrestricted.
- Combined program and general revenues for the City's activities amounted to \$22,076,048 while expenses amounted to \$17,644,169, causing the net position to increase by \$4,431,879 from the prior fiscal year.
- The combined fund balance at year end for the City's governmental funds was \$12,287,437. This was a decrease of \$1,110,789 from the prior fiscal year.
- General fund expenditures and other financing uses exceeded revenues and other financing sources by \$254,634, causing the general fund's fund balance to decrease accordingly.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As mentioned earlier, net position provides useful benchmarks in determining overall financial position. The City of Owosso's combined net position was \$72,309,324.

City of Owosso's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 13,606,610	\$ 13,547,116	\$ 5,346,284	\$ 3,573,200	\$ 18,952,894	\$ 17,120,316
Receivables, net	2,041,365	2,360,794	1,740,148	1,647,001	3,781,513	4,007,795
Due from Other Units of Government	687,347	694,463	755,323	1,050,608	1,442,670	1,745,071
Inventories	55,801	69,404	128,235	84,926	184,036	154,330
Other Assets	273,146	237,647	-	-	273,146	237,647
Total Current Assets	16,664,269	16,909,424	7,969,990	6,355,735	24,634,259	23,265,159
<i>Noncurrent Assets</i>						
Restricted Cash	-	-	1,905,498	1,417,930	1,905,498	1,417,930
Advance to Component Units	1,497,328	1,016,494	-	612,280	1,497,328	1,628,774
Capital Assets, Net	47,250,438	45,910,801	25,153,762	24,658,650	72,404,200	70,569,451
Total Assets	65,412,035	63,836,719	35,029,250	33,044,595	100,441,285	96,881,314
DEFERRED OUTFLOWS OF RESOURCES						
Charges on Bond Refunding	80,913	86,103	-	-	80,913	86,103
Pension Related	1,426,476	1,224,234	436,250	365,679	1,862,726	1,589,913
Total Deferred Outflows of Resources	1,507,389	1,310,337	436,250	365,679	1,943,639	1,676,016
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	383,821	200,442	1,187,474	1,050,115	1,571,295	1,250,557
Accrued Wages	184,605	644,875	26,757	86,943	211,362	731,818
Accrued Interest	93,086	60,360	50,717	34,159	143,803	94,519
Customer Deposits	-	5,031	192,525	186,965	192,525	191,996
Unearned Revenue	1,517,586	-	-	-	1,517,586	-
Current Portion of Compensated Absences	193,876	79,037	52,591	22,606	246,467	101,643
Current Portion of Long-term Debt	535,000	560,000	954,516	911,458	1,489,516	1,471,458
Total Current Liabilities	2,907,974	1,549,745	2,464,580	2,292,246	5,372,554	3,841,991
<i>Noncurrent Liabilities</i>						
Compensated Absences	193,876	316,151	52,591	90,422	246,467	406,573
Long-term Debt	9,802,286	10,419,056	7,519,658	7,587,730	17,321,944	18,006,786
Net Pension Liability	908,351	3,370,893	277,796	1,006,891	1,186,147	4,377,784
Total Liabilities	13,812,487	15,655,845	10,314,625	10,977,289	24,127,112	26,633,134
DEFERRED INFLOWS OF RESOURCES						
Pension Related	4,555,351	3,115,998	1,393,137	930,753	5,948,488	4,046,751
NET POSITION						
Net Investment in Capital Assets	36,994,065	36,191,691	16,679,588	16,159,462	53,673,653	52,351,153
Restricted	5,908,420	7,103,870	1,905,498	1,417,930	7,813,918	8,521,800
Unrestricted	5,649,101	3,079,652	5,172,652	3,924,840	10,821,753	7,004,492
Total Net Position	\$ 48,551,586	\$ 46,375,213	\$ 23,757,738	\$ 21,502,232	\$ 72,309,324	\$ 67,877,445

Net position is comprised of three parts: net investment in capital assets, restricted net position, and unrestricted net position. The largest portion, \$53,673,653 or 74.3%, is net investment in capital assets which is calculated of the City's investments in land and improvements, buildings and improvements, machinery and equipment, and infrastructure less related long-term debt. It cannot be readily liquidated or available for future spending. The second portion, \$7,813,918, or 10.7%, is restricted net position, which is subject to external restrictions on how it may be used. The last portion, \$10,821,753, or 15.0%, is unrestricted net position which can be used for ongoing obligations or new activities.

Reasons for significant changes in the City's assets and liabilities include the following:

- Cash and investment increased by \$1,832,578 during the year as the City received but did not expend ARPA funds. This too is the reason that unearned revenues increased by \$1,517,586.
- Capital assets had an overall increase of \$1,834,749 as the City continues to invest significantly into its streets, water, and sewer infrastructure.
- The City's net pension liability decreased by \$3,191,637 as pension assets earned a rate of return of approximately 14% on the City's most recent actuarial valuation. This too is the reason that pension related deferred inflows showed an increase of \$1,901,737 as the actual earnings (roughly 14%) in excess of expected earnings (7.25%) will be amortized over the next four years.

As mentioned earlier, the City's net position increased by \$4,431,879 for an ending net position balance of \$72,309,324. The following chart illustrates changes in net position for the past two fiscal years:

City of Owosso's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 3,192,027	\$ 3,033,465	\$ 9,292,673	\$ 8,425,614	\$ 12,484,700	\$ 11,459,079
Operating Grants and Contributions	2,206,044	2,871,609	4,642	3,868	2,210,686	2,875,477
Capital Grants and Contributions	-	371,437	426,619	27,850	426,619	399,287
Total Program Revenues	5,398,071	6,276,511	9,723,934	8,457,332	15,122,005	14,733,843
General Revenues						
Property Taxes	4,669,162	4,852,305	39,861	85,936	4,709,023	4,938,241
Unrestricted State Sources	2,171,194	2,073,409	-	-	2,171,194	2,073,409
Investment Income	53,879	81,431	19,947	29,713	73,826	111,144
Net Transfers	-	(22,331)	-	22,331	-	-
Total General Revenues and Transfers	6,894,235	6,984,814	59,808	137,980	6,954,043	7,122,794
Total Revenues	12,292,306	13,261,325	9,783,742	8,595,312	22,076,048	21,856,637
Expenses						
General Government	2,089,973	3,067,811	-	-	2,089,973	3,067,811
Public Safety	4,323,396	5,167,912	-	-	4,323,396	5,167,912
Public Works	2,854,518	2,585,160	-	-	2,854,518	2,585,160
Community and Economic Development	155,027	131,112	-	-	155,027	131,112
Recreation and Culture	435,701	347,324	-	-	435,701	347,324
Interest and Other Charges on Long-term Debt	257,318	589,214	-	-	257,318	589,214
Water Supply System	-	-	3,325,617	3,405,264	3,325,617	3,405,264
Sewage Disposal System	-	-	2,170,814	2,095,368	2,170,814	2,095,368
Wastewater Treatment System	-	-	1,962,210	2,288,255	1,962,210	2,288,255
Transportation	-	-	69,595	64,048	69,595	64,048
Total Expenses	10,115,933	11,888,533	7,528,236	7,852,935	17,644,169	19,741,468
Change in Net Position	2,176,373	1,372,792	2,255,506	742,377	4,431,879	2,115,169
<i>Net Position at the Beginning of Period</i>	<i>46,375,213</i>	<i>45,002,421</i>	<i>21,502,232</i>	<i>20,759,855</i>	<i>67,877,445</i>	<i>65,762,276</i>
Net Position at the End of Period	\$ 48,551,586	\$ 46,375,213	\$ 23,757,738	\$ 21,502,232	\$ 72,309,324	\$ 67,877,445

Overall, revenues showed an increase of \$219,411. This was largely driven by increased charges for services within the City's water and sewer funds pursuant to rates required by the most recent rate study. Property taxes decreased by \$229,218, despite an increase in taxable values, due to a

roughly 1 mill decrease as the City's historic / parks millage lapsed, in addition to decreased taxes requested by the City for debt service and transit services based on upcoming budgeted expenditures in those areas and millage rollbacks due to Proposition A/Headlee.

Expenses decreased overall by \$2,097,299. The most notable cause of the decrease was the aforementioned change in the City's net pension liability due to favorable market conditions on the City's most recent actuarial valuation. Accordingly, the City's pension expense was a negative \$532,963 during fiscal 2022.

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 \$12,287,437. More detail on available, spendable balances can be found in the notes to these financial statements.

The *general fund* is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$7,344,29, a decrease of \$254,634. Unassigned fund balance of \$2,452,803 was 27.2% of expenditures and transfers out while total fund balance of \$7,344,229 was 81.7% of expenditures and transfers out. The decrease was caused primarily by a transfer out of the general fund during the year of \$545,577 to subsidize ongoing capital projects.

The *major streets fund*, a major fund, had an increase in fund balance of \$757,890 for an ending restricted fund balance of \$2,171,175.

The *local streets fund*, a major fund, had a decrease in fund balance of \$41,12 for an ending restricted fund balance of \$1,241,519.

The *ARPA fund*, a major fund, had an increase in fund balance of \$2,629 during the year, which was also its ending fund balance (fiscal 2022 was the initial year for the ARPA fund). The ARPA fund reported \$1,520,215 of cash (offset by unearned revenue) available for future City projects.

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

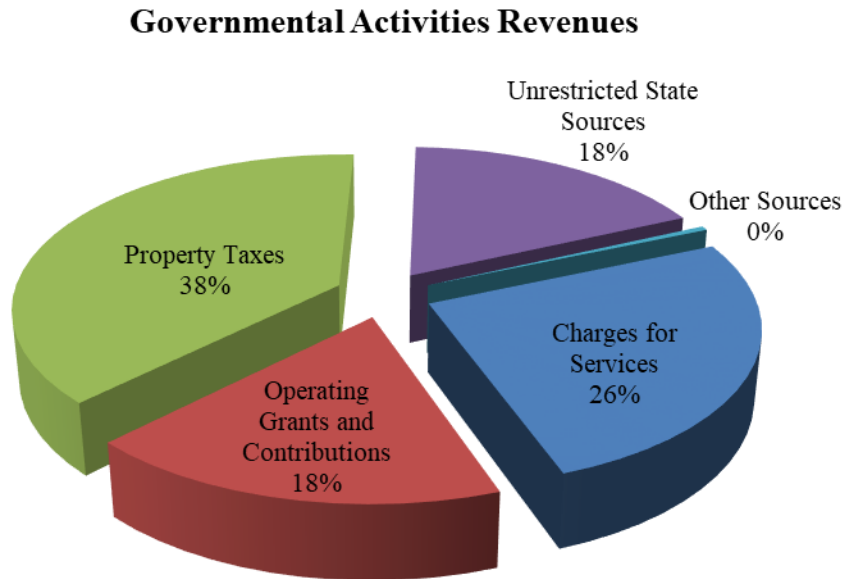
The proprietary funds of the City are comprised of the sewage disposal system, water supply system, wastewater treatment system, and nonmajor transportation funds. The sewage disposal system fund's net position increased by \$197,666 to \$4,033,241. The water supply system fund's net position increased by \$1,383,909 to \$14,757,672. The wastewater treatment system fund's net position increased by \$699,020 to \$4,884,777. The nonmajor transportation fund's net position decreased by \$25,089 to \$82,048. Unrestricted net position for the sewage disposal system was

\$2,493,209, for the water supply system was \$2,371,602, for the wastewater treatment system was \$225,793, and for the nonmajor transportation fund was \$82,048.

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

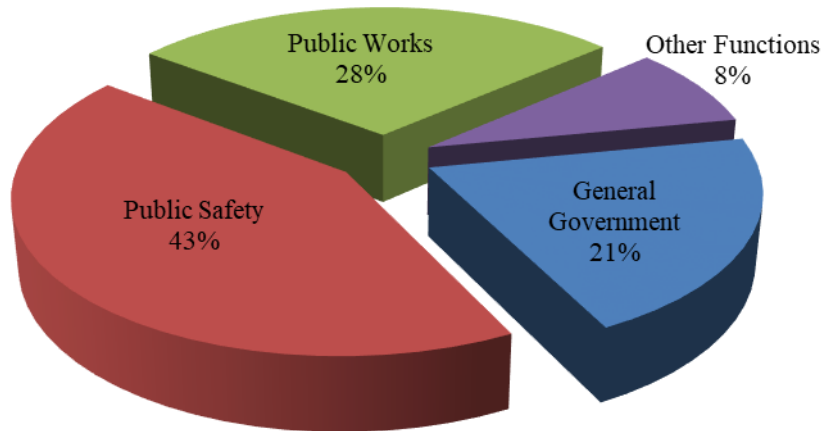
Governmental Activities

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



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

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. During the year, there were various amendments made to the original estimated revenues and the original budgeted appropriations. Overall budgeted revenues decreased from \$8,744,234 to \$8,620,662 while expenditures were increased from \$8,744,235 to \$9,410,107. The City also had other minor amendments meant to better allocate expenditures to their correct departments and functions.

Final budget compared to actual results. The City’s actual revenues were \$119,369 better than the final amended budget and expenditures were \$415,442 under the final budget for a favorable budget variance during the year of \$534,811. The City had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2022:

Function	Final Budgeted Amount	Actual Amount	Negative Variance
Police	\$ 2,296,083	\$ 2,324,283	\$ (28,200)
Fire Department	2,034,582	2,099,964	(65,382)
Parks	243,637	273,386	(29,749)

Capital Asset and Debt Administration

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$72,404,200 (net of accumulated depreciation), an increase of \$1,834,749, or 2.6%, over the prior year. This investment in capital assets includes land and improvements, buildings and improvements, machinery, and equipment, vehicles, and water and sewer infrastructure.

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

Long-term Debt

At the end of the current fiscal year, the City had \$18,811,460 in bonds and premium on bonds outstanding, which was a decrease of \$666,784, or 3.4%, from the prior year.

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

Economic Factors and Next Year’s Budget and Rates



The City’s 2022-2023 budget for the general fund projects revenues and transfers in of \$9,207,784 and appropriations and transfers out of \$9,081,739, for an ending increase in fund balance of \$126,045. For comparison, the City’s 2021-2022 actual results for the general fund were \$8,740,031 of total revenues and transfers in and \$8,994,665 of total expenditures and transfers out for an ending decrease in fund balance of \$254,634.

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

Requests for Information

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

301 W. Main Street
Owosso, Michigan, 48867.

Basic Financial Statements

City of Owosso
Statement of Net Position
June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 13,606,610	\$ 5,346,284	\$ 18,952,894	\$ 314,339
Accounts Receivable, net	835,452	1,740,148	2,575,600	36,748
Special Assessments Receivable	1,205,913	--	1,205,913	--
Due from Other Units of Government	687,347	755,323	1,442,670	--
Inventories	55,801	128,235	184,036	--
Prepaid Items	30,756	--	30,756	--
Other Assets	242,390	--	242,390	--
Total Current Assets	16,664,269	7,969,990	24,634,259	351,087
<i>Noncurrent Assets</i>				
Restricted Cash	--	1,905,498	1,905,498	--
Capital Assets not being Depreciated	4,559,913	1,714,145	6,274,058	--
Capital Assets being Depreciated, net	42,690,525	23,439,617	66,130,142	26,763
Advance to Component Unit	1,497,328	--	1,497,328	--
Total Assets	65,412,035	35,029,250	100,441,285	377,850
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	1,426,476	436,250	1,862,726	--
Deferred Charges on Refunding	80,913	--	80,913	--
Total Deferred Outflows of Resources	1,507,389	436,250	1,943,639	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	383,821	1,187,474	1,571,295	18,567
Accrued Wages	184,605	26,757	211,362	--
Accrued Interest	93,086	50,717	143,803	883
Customer Deposits	--	192,525	192,525	--
Unearned Revenue	1,517,586	--	1,517,586	--
Current Portion of Compensated Absences	193,876	52,591	246,467	--
Current Portion of Long-term Debt	535,000	954,516	1,489,516	178,638
Total Current Liabilities	2,907,974	2,464,580	5,372,554	198,088
<i>Noncurrent Liabilities</i>				
Compensated Absences	193,876	52,591	246,467	--
Long-term Debt	9,802,286	7,519,658	17,321,944	1,662,842
Net Pension Liability	908,351	277,796	1,186,147	--
Total Liabilities	13,812,487	10,314,625	24,127,112	1,860,930
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	4,555,351	1,393,137	5,948,488	--
Total Deferred Inflows of Resources	4,555,351	1,393,137	5,948,488	--
NET POSITION				
Net Investment in Capital Assets	36,994,065	16,679,588	53,673,653	23
<i>Restricted for:</i>				
Debt Service	81,426	--	81,426	--
Revolving Loan	1,128,084	--	1,128,084	--
Improvement and Replacement	--	1,905,498	1,905,498	--
Streets and Highways	4,344,981	--	4,344,981	--
Historical	78,267	--	78,267	--
ARPA	2,629	--	2,629	--
Building Inspections	139,173	--	139,173	--
Parks	133,860	--	133,860	--
<i>Unrestricted</i>	5,649,101	5,172,652	10,821,753	(1,483,103)
Total Net Position	\$ 48,551,586	\$ 23,757,738	\$ 72,309,324	\$ (1,483,080)

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

**City of Owosso
Statement of Activities
For the Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 2,089,973	\$ 760,235	\$ 201,057	\$ --	\$ (1,128,681)	\$ --	\$ (1,128,681)	\$ --
Public Safety	4,323,396	1,411,812	--	--	(2,911,584)	--	(2,911,584)	--
Public Works	2,854,518	981,828	1,917,125	--	44,435	--	44,435	--
Community and Economic Development	155,027	18,418	66,756	--	(69,853)	--	(69,853)	--
Recreation and Culture	435,701	19,734	21,106	--	(394,861)	--	(394,861)	--
Interest on Long-term Debt	257,318	--	--	--	(257,318)	--	(257,318)	--
Total Governmental Activities	10,115,933	3,192,027	2,206,044	--	(4,717,862)	--	(4,717,862)	--
Business-type Activities:								
Transportation Fund (Nonmajor)	69,595	--	4,642	--	--	(64,953)	(64,953)	--
Sewage Disposal System	2,170,814	2,362,219	--	--	--	191,405	191,405	--
Water Supply System	3,325,617	4,274,450	--	426,619	--	1,375,452	1,375,452	--
Wastewater Treatment System	1,962,210	2,656,004	--	--	--	693,794	693,794	--
Total Business-type Activities	7,528,236	9,292,673	4,642	426,619	--	2,195,698	2,195,698	--
Total Primary Government	\$ 17,644,169	\$ 12,484,700	\$ 2,210,686	\$ 426,619	(4,717,862)	2,195,698	(2,522,164)	--
Component Units								
Brownfield Redevelopment Authority	\$ 280,343	\$ --	\$ 148,926	\$ --	--	--	--	(131,417)
Downtown Development Authority	320,780	46,269	34,537	--	--	--	--	(239,974)
Total Component Units	\$ 601,123	\$ 46,269	\$ 183,463	\$ --	--	--	--	(371,391)
General Purpose Revenues:								
					53,879	19,947	73,826	2,448
					2,171,194	--	2,171,194	--
					4,669,162	39,861	4,709,023	642,227
					6,894,235	59,808	6,954,043	644,675
					2,176,373	2,255,506	4,431,879	273,284
					46,375,213	21,502,232	67,877,445	(1,756,364)
					\$ 48,551,586	\$ 23,757,738	\$ 72,309,324	\$ (1,483,080)

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

**City of Owosso
Balance Sheet
Governmental Funds
June 30, 2022**

	<u>Special Revenue</u>				<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>ARPA</u>		
ASSETS						
Cash and Investments	\$ 5,617,441	\$ 2,002,716	\$ 1,175,141	\$ 1,520,215	\$ 976,376	\$ 11,291,889
Accounts Receivable, net	250,294	--	290	--	581,989	832,573
Special Assessments Receivable	245,142	--	--	--	960,771	1,205,913
Due from Other Units of Government	392,050	216,315	78,982	--	--	687,347
Inventories	55,801	--	--	--	--	55,801
Prepaid Items	30,756	--	--	--	--	30,756
Advance to Component Unit	1,497,328	--	--	--	--	1,497,328
Total Assets	\$ 8,088,812	\$ 2,219,031	\$ 1,254,413	\$ 1,520,215	\$ 2,519,136	\$ 15,601,607
LIABILITIES						
Accounts Payable	\$ 213,474	\$ 47,412	\$ 12,478	\$ --	\$ 30,194	\$ 303,558
Accrued Wages	181,376	444	416	--	286	182,522
Unearned Revenue	--	--	--	1,517,586	--	1,517,586
Total Liabilities	394,850	47,856	12,894	1,517,586	30,480	2,003,666
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	349,733	--	--	--	960,771	1,310,504
Total Liabilities and Deferred Inflows of Resources	744,583	47,856	12,894	1,517,586	991,251	3,314,170
FUND BALANCE						
Nonspendable	1,583,885	--	--	--	--	1,583,885
Restricted	191,819	2,171,175	1,241,519	2,629	1,340,506	4,947,648
Assigned	3,115,722	--	--	--	187,379	3,303,101
Unassigned	2,452,803	--	--	--	--	2,452,803
Total Fund Balance	7,344,229	2,171,175	1,241,519	2,629	1,527,885	12,287,437
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 8,088,812	\$ 2,219,031	\$ 1,254,413	\$ 1,520,215	\$ 2,519,136	\$ 15,601,607

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

City of Owosso
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022

Total Fund Balance - Governmental Funds	\$	12,287,437
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.		3,663,782
Assets held on deposit with the MMRMA for self insurance are not current financial resources and, therefore, are not reported in the funds.		176,871
General government capital assets, net of accumulated depreciation, are not financial resources and, accordingly, are not reported in the funds. This represents capital assets of \$82,307,416 net of accumulated depreciation of \$36,574,329.		45,733,087
Certain receivables are not available to pay for current period expenditures and, therefore, are unavailable in the funds.		1,310,504
Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		(3,893,830)
Long-term liabilities, including premium on bonds, are not due and payable in the current period and, therefore, are not reported in the funds.		(10,337,286)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(93,086)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(376,806)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.		80,913
Total Net Position - Governmental Activities	\$	<u>48,551,586</u>

City of Owosso
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue				Other Governmental Funds	Total Governmental Funds
	General	Major Streets	Local Streets	ARPA		
Revenues						
Property Taxes	\$ 3,948,864	\$ --	\$ --	\$ --	\$ 720,298	\$ 4,669,162
Special Assessments	--	386,376	181,895	--	--	568,271
Licenses and Permits	266,581	--	--	--	--	266,581
Intergovernmental	2,292,902	1,585,116	530,384	--	123,826	4,532,228
Charges for Services	1,197,856	--	--	--	3,650	1,201,506
Interest and Rentals	48,115	499	423	2,629	17,001	68,667
Other Revenue	976,450	--	--	--	72,255	1,048,705
Total Revenues	8,730,768	1,971,991	712,702	2,629	937,030	12,355,120
Expenditures						
General Government	2,227,101	--	--	--	--	2,227,101
Public Safety	5,003,684	--	--	--	--	5,003,684
Public Works	881,904	1,540,670	1,601,245	--	--	4,023,819
Community and Economic Development	63,013	--	--	--	85,473	148,486
Recreation and Culture	273,386	--	--	--	335,843	609,229
Debt Service, Principal	--	--	--	--	560,000	560,000
Debt Service, Interest	--	--	--	--	301,172	301,172
Capital Outlay	--	--	--	--	601,681	601,681
Total Expenditures	8,449,088	1,540,670	1,601,245	--	1,884,169	13,475,172
Excess of Revenues Over (Under) Expenditures	281,680	431,321	(888,543)	2,629	(947,139)	(1,120,052)
Other Financing Sources (Uses)						
Sale of Fixed Assets	9,263	--	--	--	--	9,263
Transfers In	--	668,993	847,414	--	545,577	2,061,984
Transfers Out	(545,577)	(342,424)	--	--	(1,173,983)	(2,061,984)
Net Other Financing Sources (Uses)	(536,314)	326,569	847,414	--	(628,406)	9,263
Net Change in Fund Balance	(254,634)	757,890	(41,129)	2,629	(1,575,545)	(1,110,789)
<i>Fund Balance at Beginning of Period</i>	7,598,863	1,413,285	1,282,648	--	3,103,430	13,398,226
Fund Balance at End of Period	\$ 7,344,229	\$ 2,171,175	\$ 1,241,519	\$ 2,629	\$ 1,527,885	\$ 12,287,437

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

City of Owosso
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ (1,110,789)
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	47,321
Changes to the MMRMA deposit and related self-insurance liability are not shown in the fund financial statements. This amounts represents the changes in net position held with an agent for self-insurance.	(50,776)
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$2,433,353 exceeds depreciation expense of \$976,565.	1,456,788
Revenue in the statement of activities that do not provide current financial resources are not reported as revenue in the funds, but rather are deferred to the following fiscal year. This amount represents the changes in revenue unavailable in the current year and deferred to the following fiscal year.	(78,795)
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.	560,000
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	1,300,480
In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest and amortization of bond premiums and discounts. In addition, the amortization of the deferred charge on bond refundings is included.	43,854
Changes to compensated absences are not shown in the fund financial statements. This amounts represents the changes in compensated absences during the current year.	8,290
Changes in Net Position - Governmental Activities	\$ <u>2,176,373</u>

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

**City of Owosso
Statement of Net Position
Proprietary Funds
June 30, 2022**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Transportation Fund (Nonmajor)	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Total Enterprise Funds	
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 82,048	\$ 2,044,095	\$ 2,061,303	\$ 1,158,838	\$ 5,346,284	\$ 2,314,721
Accounts Receivable, net	--	622,821	1,117,327	--	1,740,148	2,879
Due from Other Units of Government	--	--	414,167	341,156	755,323	--
Inventories	--	--	128,235	--	128,235	--
Total Current Assets	82,048	2,666,916	3,721,032	1,499,994	7,969,990	2,317,600
<i>Noncurrent Assets</i>						
Restricted Cash	--	--	959,253	946,245	1,905,498	--
Capital Assets not being Depreciated	--	30,400	1,683,745	--	1,714,145	--
Capital Assets being Depreciated, net	--	2,903,082	14,239,566	6,296,969	23,439,617	1,517,351
Total Assets	82,048	5,600,398	20,603,596	8,743,208	35,029,250	3,834,951
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related Deferred Outflows	--	46,010	155,723	234,517	436,250	50,666
Total Deferred Outflows of Resources	--	46,010	155,723	234,517	436,250	50,666
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	--	19,769	630,484	537,221	1,187,474	14,744
Accrued Wages	--	3,475	14,921	8,361	26,757	2,083
Accrued Interest	--	9,465	27,643	13,609	50,717	--
Customer Deposits	--	--	192,525	--	192,525	--
Current Portion of Compensated Absences	--	5,391	21,562	25,638	52,591	5,473
Current Portion of Long-term Debt	--	105,000	759,516	90,000	954,516	--
Total Current Liabilities	--	143,100	1,646,651	674,829	2,464,580	22,300
<i>Noncurrent Liabilities</i>						
Compensated Absences	--	5,391	21,562	25,638	52,591	5,473
Long-term Debt	--	1,288,450	3,736,978	2,494,230	7,519,658	--
Net Pension Liability	--	29,298	99,162	149,336	277,796	32,263
Total Liabilities	--	1,466,239	5,504,353	3,344,033	10,314,625	60,036
DEFERRED INFLOWS OF RESOURCES						
Pension Related Deferred Inflows	--	146,928	497,294	748,915	1,393,137	161,799
Total Deferred Inflows of Resources	--	146,928	497,294	748,915	1,393,137	161,799
NET POSITION						
Net Investment in Capital Assets	--	1,540,032	11,426,817	3,712,739	16,679,588	1,517,351
<i>Restricted for:</i>						
Improvement and Replacement	--	--	959,253	946,245	1,905,498	--
<i>Unrestricted</i>	82,048	2,493,209	2,371,602	225,793	5,172,652	2,146,431
Total Net Position	\$ 82,048	\$ 4,033,241	\$ 14,757,672	\$ 4,884,777	\$ 23,757,738	\$ 3,663,782

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

City of Owosso
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds				Total Enterprise Funds	Governmental Activities Internal Service Fund
	Transportation Fund (Nonmajor)	Sewage Disposal System	Water Supply System	Wastewater Treatment System		
Operating Revenues						
Charges for Services	\$ --	\$ 2,356,175	\$ 4,270,954	\$ 2,639,038	\$ 9,266,167	\$ 938,276
Other Revenue	--	--	2,976	--	2,976	--
Total Operating Revenues	--	2,356,175	4,273,930	2,639,038	9,269,143	938,276
Operating Expenses						
Personnel Services	--	164,469	1,108,119	638,380	1,910,968	230,786
Administrative and Engineering Services	--	102,500	33,899	226,491	362,890	31,520
Contractual and Professional Services	69,595	81,670	501,371	89,213	741,849	3,200
Supplies and Chemicals	--	8,614	268,018	138,180	414,812	67,986
Utilities	--	3,907	181,666	239,706	425,279	--
Insurance	--	10,604	45,118	40,114	95,836	27,447
Maintenance	--	12,229	618,051	124,432	754,712	77,956
Plant Charges	--	1,705,606	--	--	1,705,606	--
Depreciation	--	52,737	488,266	422,522	963,525	458,778
Total Operating Expenses	69,595	2,142,336	3,244,508	1,919,038	7,375,477	897,673
Operating Income (Loss)	(69,595)	213,839	1,029,422	720,000	1,893,666	40,603
Non-Operating Revenues (Expenses)						
Investment Income	3	6,261	8,457	5,226	19,947	862
Other Revenue	4,642	6,044	520	16,966	28,172	--
Property Taxes	39,861	--	--	--	39,861	--
Gain on Sale of Capital Assets	--	--	--	--	--	5,856
Interest Expense	--	(28,478)	(81,109)	(43,172)	(152,759)	--
Net Non-Operating Revenues (Expenses)	44,506	(16,173)	(72,132)	(20,980)	(64,779)	6,718
Income Before Contributions and Transfers	(25,089)	197,666	957,290	699,020	1,828,887	47,321
Capital Contributions	--	--	426,619	--	426,619	--
Change In Net Position	(25,089)	197,666	1,383,909	699,020	2,255,506	47,321
<i>Net Position at Beginning of Period</i>	107,137	3,835,575	13,373,763	4,185,757	21,502,232	3,616,461
Net Position at End of Period	\$ 82,048	\$ 4,033,241	\$ 14,757,672	\$ 4,884,777	\$ 23,757,738	\$ 3,663,782

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

City of Owosso
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022

	Business-type Activities - Enterprise Funds					Governmental
	Transportation (Nonmajor)	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities						
Cash Received from Customers	\$ --	\$ 2,321,615	\$ 4,220,903	\$ 2,314,773	\$ 8,857,291	\$ 940,541
Cash Payments to Employees for Services and Fringe Benefits	--	(249,597)	(1,257,905)	(808,780)	(2,316,282)	(158,046)
Cash Payments to Suppliers for Goods and Services	(69,595)	(1,963,223)	(1,659,813)	(714,303)	(4,406,934)	(199,685)
Net Cash Provided (Used) by Operating Activities	<u>(69,595)</u>	<u>108,795</u>	<u>1,303,185</u>	<u>791,690</u>	<u>2,134,075</u>	<u>582,810</u>
Cash Flows from Non-capital Financing Activities						
Change in Interfund Balances and Advances to Component Units	--	--	612,280	--	612,280	--
Other Revenue	4,642	6,044	520	16,966	28,172	--
Property Taxes	39,861	--	--	--	39,861	--
Net Cash Provided by Non-capital Financing Activities	<u>44,503</u>	<u>6,044</u>	<u>612,800</u>	<u>16,966</u>	<u>680,313</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities						
Capital Contributions	--	275,460	770,709	--	1,046,169	--
Interest Payments on Long-term Debt	--	(24,151)	(73,502)	(38,548)	(136,201)	--
Principal Payments on Long-term Debt	--	(100,000)	(721,548)	(90,000)	(911,548)	--
Issuances of Long-term Debt	--	147,402	209,902	529,230	886,534	--
Purchases of Capital Assets	--	(124,776)	(931,130)	(402,731)	(1,458,637)	(335,771)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>--</u>	<u>173,935</u>	<u>(745,569)</u>	<u>(2,049)</u>	<u>(573,683)</u>	<u>(335,771)</u>
Cash Flows from Investing Activities						
Investment Income	3	6,261	8,457	5,226	19,947	862
Net Cash Provided by Investing Activities	<u>3</u>	<u>6,261</u>	<u>8,457</u>	<u>5,226</u>	<u>19,947</u>	<u>862</u>
Net Increase (Decrease) in Cash and Investments	(25,089)	295,035	1,178,873	811,833	2,260,652	247,901
<i>Cash and Investments - Beginning of Year</i>	107,137	1,749,060	1,841,683	1,293,250	4,991,130	2,066,820
<i>Cash and Investments - End of Year</i>	<u>\$ 82,048</u>	<u>\$ 2,044,095</u>	<u>\$ 3,020,556</u>	<u>\$ 2,105,083</u>	<u>\$ 7,251,782</u>	<u>\$ 2,314,721</u>
Statement of Net Position						
Cash and Investments	\$ 82,048	\$ 2,044,095	\$ 2,061,303	\$ 1,158,838	\$ 5,346,284	\$ 2,314,721
Restricted Cash and Investments	--	--	959,253	946,245	1,905,498	--
Total Cash and Investments	<u>\$ 82,048</u>	<u>\$ 2,044,095</u>	<u>\$ 3,020,556</u>	<u>\$ 2,105,083</u>	<u>\$ 7,251,782</u>	<u>\$ 2,314,721</u>

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

**City of Owosso
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Transportation (Nonmajor)	Sewage Disposal System	Water Supply System	Wastewater Treatment System	Total Enterprise Funds	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating Income (Loss)	\$ (69,595)	\$ 213,839	\$ 1,029,422	\$ 720,000	\$ 1,893,666	\$ 40,603
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Depreciation	--	52,737	488,266	422,522	963,525	458,778
Changes in Assets, Liabilities, and Related Deferrals						
Accounts Receivable, net	--	(34,560)	(58,587)	(324,265)	(417,412)	2,265
Inventories	--	--	(43,309)	--	(43,309)	--
Accounts Payable	--	(38,093)	31,619	143,833	137,359	8,424
Accrued Wages	--	(5,399)	(36,217)	(18,570)	(60,186)	(3,163)
Customer Deposits	--	--	5,560	--	5,560	--
Compensated Absences	--	(4,905)	(7,532)	4,591	(7,846)	854
Net Pension Liability and Pension Related Deferrals	--	(74,824)	(106,037)	(156,421)	(337,282)	75,049
Net Cash Provided (Used) by Operating Activities	\$ (69,595)	\$ 108,795	\$ 1,303,185	\$ 791,690	\$ 2,134,075	\$ 582,810

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

**City of Owosso
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022**

	Custodial Fund
	Current Tax Collection
ASSETS	
Cash and Investments	\$ 1,398
<i>Total Assets</i>	1,398
LIABILITIES	
Undistributed Receipts	1,398
<i>Total Liabilities</i>	1,398
NET POSITION	
Total Net Position	\$ --

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

City of Owosso
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Period Ended June 30, 2022

	Custodial Fund
	Current Tax Collection
Additions	
Property Taxes for Other Governments	\$ 8,938,269
<i>Total Additions</i>	8,938,269
Deductions	
Payments of Property Taxes to Other Governments	8,938,269
<i>Total Deductions</i>	8,938,269
<i>Change in Net Position</i>	--
<i>Net Position at Beginning of Period</i>	--
<i>Net Position at End of Period</i>	\$ --

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

City of Owosso
Combining Statement of Net Position
Component Units
June 30, 2022

	Brownfield Redevelopment Authority	Downtown Development Authority	Total Component Units
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 197,095	\$ 117,244	\$ 314,339
Accounts Receivable, net	--	36,748	36,748
Total Current Assets	197,095	153,992	351,087
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated, net	--	26,763	26,763
Total Assets	197,095	180,755	377,850
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	4,800	13,767	18,567
Accrued Interest	883	--	883
Current Portion of Long-term Debt	173,944	4,694	178,638
Total Current Liabilities	179,627	18,461	198,088
<i>Noncurrent Liabilities</i>			
Long-term Debt	1,640,796	22,046	1,662,842
Total Liabilities	1,820,423	40,507	1,860,930
NET POSITION			
Net Investment in Capital Assets	--	23	23
<i>Unrestricted</i>	(1,623,328)	140,225	(1,483,103)
Total Net Position	\$ (1,623,328)	\$ 140,248	\$ (1,483,080)

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

City of Owosso
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2022

	Brownfield Redevelopment Authority	Downtown Development Authority	Total Component Units
Expenses			
Community and Economic Development	\$ 220,820	\$ 319,982	\$ 540,802
Debt Service, Interest	59,523	798	60,321
Total Expenses	280,343	320,780	601,123
Program Revenues			
Charges for services	--	46,269	46,269
Operating grants and contributions	148,926	34,537	183,463
Total Program Revenues	148,926	80,806	229,732
Net Program Revenues (Expenses)	(131,417)	(239,974)	(371,391)
General Revenue			
Investment Income	3	2,445	2,448
Property Taxes	414,291	227,936	642,227
Total General Revenues	414,294	230,381	644,675
Change in Net Position	282,877	(9,593)	273,284
<i>Net Position at Beginning of Period</i>	(1,906,205)	149,841	(1,756,364)
Net Position at End of Period	\$ (1,623,328)	\$ 140,248	\$ (1,483,080)

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

Notes to the Financial Statements

City of Owosso

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The City is governed by an elected seven-member Council, and the Mayor is chosen by the elected council members. The day to day operations and administration of the city is under the responsibility of an appointed City Manager.

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

Discretely Presented Component Units

The *Brownfield Redevelopment Authority* (“Brownfield”) was created to facilitate the implementation of plans relating to the identification and treatment of environmentally distressed areas to promote revitalization within the Brownfield Redevelopment Zone. The Brownfield’s governing body, which consists of seven members, is appointed by the City Council. In addition, the Brownfield’s annual budget and any debt issuances is subject to approval by the City Council. The financial statements of the Brownfield are included in the City’s financial statements and are not audited separately.

The *Downtown Development Authority* (“DDA”) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA’s nine-member governing body is appointed by the City Council for a fixed term. The City approves the annual budget and any debt issuances of the DDA. The financial statements of the DDA are audited separately and separately issued financial statements can be obtained from the administrative offices of the DDA.

Government-wide and Fund Financial Statements

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

City of Owosso

Notes to the Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

City of Owosso

Notes to the Financial Statements

The City reports the following major governmental funds:

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

The **major streets fund** accounts for and report the resources of state gas and weight taxes and other revenues that are restricted for use on City streets designated as major by the Michigan Department of Transportation.

The **local streets fund** accounts for and report the resources of state gas and weight taxes and other revenues that are restricted for use on City streets designated as local by the Michigan Department of Transportation.

The **ARPA fund** accounts for the funding received through the American Rescue Plan Act and related expenditures.

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

The **enterprise funds** are used to account for operations of the City that are financed by charges for the services provided.

City of Owosso

Notes to the Financial Statements

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

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

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

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

Property Taxes

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

The 2021 taxable valuation of the City totaled \$302,004,373 (a portion of which is captured by the DDA). The City levied 12.8448 mills for general operations, 1.0000 for Public Act 298 (collecting and disposing of garbage), 2.56 for debt service, 0.15 for transit services, and 1.9001 for the Downtown Development Authority.

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

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and

City of Owosso

Notes to the Financial Statements

short-term investments with original maturities of three months or less from the date of acquisition.

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

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

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

Receivables and Payables

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

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

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

City of Owosso

Notes to the Financial Statements

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

Restricted Assets

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

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

Inventories

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

Prepaid Expenditures/Expenses

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

Capital Assets

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

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

City of Owosso

Notes to the Financial Statements

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

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

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

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

Compensated Absences

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

Unearned Revenues

Unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported

City of Owosso

Notes to the Financial Statements

as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension

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

Deferred Outflows / Inflows of Resources

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

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

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

Additionally, the City has a deferred outflow related to deferred charges on advance bond refundings which is reported on the government-wide financial statements within governmental activities.

City of Owosso

Notes to the Financial Statements

Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular order from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In to calculate the amounts to report as restricted and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

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

The City Council has adopted a minimum fund balance policy in which the general fund will be equal to 25% of general fund operating expenses. If the fund balance of the general fund falls below the minimum range, the City will replenish shortfall by reducing expenditures, increasing

City of Owosso

Notes to the Financial Statements

revenues or a combination of expenditure reductions and revenue enhancements as detailed in the policy. If the fund balance of the general fund exceeds 25% plus an infrastructure emergency reserve of \$1 million, the City shall consider using such surpluses for one-time non-recurring expenditures that will not require additional future expenses for maintenance, additional staffing, or any other recurring expenditures, in accordance with the policy.

Fund Balance Flow Assumption

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

Note 2 - Budgetary Information

Budgetary Information

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

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

Excess of Expenditures Over Appropriations in Budgetary Funds

The City had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2022:

Function	Final Budgeted Amount	Actual Amount	Negative Variance
Police	\$ 2,296,083	\$ 2,324,283	\$ (28,200)
Fire Department	2,034,582	2,099,964	(65,382)
Parks	243,637	273,386	(29,749)

City of Owosso

Notes to the Financial Statements

Deficit Net Position

The City's Brownfield Redevelopment Authority, a discretely presented component unit, has a deficit unrestricted and total net position of \$(1,623,328). The Brownfield Redevelopment Authority will capture property taxes in the future and use revenues from services to eliminate this deficit.

Note 3 - Deposits and Investments

Following is a reconciliation of deposit and investment balances as of June 30, 2022:

	Primary Government	Component Units	Total
Statement of Net Position			
Cash and Investments	\$ 18,952,894	\$ 314,339	\$ 19,267,233
Restricted Cash	1,905,498	-	1,905,498
Statement of Fiduciary Net Position			
Cash and Investments	1,398	-	1,398
<i>Total Cash and Investments</i>	\$ 20,859,790	\$ 314,339	\$ 21,174,129
Deposits and Investments			
Bank Deposits (Checking and Savings)			\$ 20,484,386
			Certificates of Deposit 523,725
			Michigan CLASS 163,793
			Cash on Hand 2,225
<i>Total Deposits and Investments</i>			\$ 21,174,129

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require, and the City does not have a policy for deposit custodial credit risk. As of year-end, \$20,006,686 of the City's bank balance of \$21,006,686 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, City policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2022, none of the City's investments were exposed to custodial credit risk.

City of Owosso

Notes to the Financial Statements

Investments for the City consisted of the following types:

Michigan CLASS	\$ 163,793
Certificates of Deposit	523,725
Total Investments	\$ 687,518

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

Standards & Poor's AAAM	\$ 163,793
Not Applicable	523,725
Total Investments	\$ 687,518

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

No Maturity	\$ 163,793
Due in Less than 1 Year	121,616
Due within 1-5 Years	402,109
Total Investments	\$ 687,518

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

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical

City of Owosso

Notes to the Financial Statements

assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The City holds shares in the Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year-end, the net asset value of the City's investment in the Michigan CLASS government investment pool was \$163,793. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

Note 4 - Interfund Transactions

Interfund transfers for the year ended June 30, 2022 were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental	General	\$ 545,577
Major Streets	Nonmajor Governmental	668,993
Local Streets	Major Streets	342,424
Local Streets	Nonmajor Governmental	504,990

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

City of Owosso

Notes to the Financial Statements

Note 5 - Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2022 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 4,559,913	\$ -	\$ -	\$ 4,559,913
Capital Assets Being Depreciated				
Roads and Sidewalks	64,059,305	1,667,309	-	65,726,614
Land Improvements	3,921,512	412,371	-	4,333,883
Buildings and Improvements	2,953,517	254,151	-	3,207,668
Vehicles	5,016,875	441,875	152,295	5,306,455
Office Furnishings	1,392,099	-	-	1,392,099
Machinery and Equipment	2,422,287	10,874	116,000	2,317,161
<i>Subtotal</i>	<u>79,765,595</u>	<u>2,786,580</u>	<u>268,295</u>	<u>82,283,880</u>
Less Accumulated Depreciation				
Roads and Sidewalks	26,929,147	686,499	-	27,615,646
Land Improvements	2,668,832	130,967	-	2,799,799
Buildings and Improvements	2,589,441	34,357	-	2,623,798
Vehicles	2,949,676	389,428	152,295	3,186,809
Office Furnishings	1,331,663	19,987	-	1,351,650
Machinery and Equipment	1,945,948	174,105	104,400	2,015,653
<i>Subtotal</i>	<u>38,414,707</u>	<u>1,435,343</u>	<u>256,695</u>	<u>39,593,355</u>
<i>Capital Assets Being Depreciated, Net</i>	<u>41,350,888</u>	<u>1,351,237</u>	<u>(11,600)</u>	<u>42,690,525</u>
Capital Assets, Governmental Activities	<u>\$ 45,910,801</u>	<u>\$ 1,351,237</u>	<u>\$ (11,600)</u>	<u>\$ 47,250,438</u>

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

Governmental Activities	
General Government	\$ 82,487
Public Safety	161,505
Public Works	637,204
Community and Economic Development	4,746
Recreation and Culture	90,623
Depreciation Charged to the Internal Service Fund	458,778
Total	<u>\$ 1,435,343</u>

City of Owosso

Notes to the Financial Statements

Capital asset activity for business-type activities for the year ended June 30, 2022 was as follows:

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 131,724	\$ 234,118	\$ -	\$ 365,842
Construction in Progress	1,057,897	290,406	-	1,348,303
<i>Subtotal</i>	<u>1,189,621</u>	<u>524,524</u>	<u>-</u>	<u>1,714,145</u>
Capital Assets Being Depreciated				
Buildings	13,245,205	-	-	13,245,205
Improvements, other than Buildings	19,216,335	-	-	19,216,335
Vehicles	1,569,203	66,169	-	1,635,372
Machinery and Equipment	16,010,910	867,944	-	16,878,854
<i>Subtotal</i>	<u>50,041,653</u>	<u>934,113</u>	<u>-</u>	<u>50,975,766</u>
Less Accumulated Depreciation				
Buildings	8,706,550	200,007	-	8,906,557
Improvements, other than Buildings	6,700,598	77,250	-	6,777,848
Vehicles	335,016	105,752	-	440,768
Machinery and Equipment	10,830,460	580,516	-	11,410,976
<i>Subtotal</i>	<u>26,572,624</u>	<u>963,525</u>	<u>-</u>	<u>27,536,149</u>
<i>Capital Assets Being Depreciated, Net</i>	<u>23,469,029</u>	<u>(29,412)</u>	<u>-</u>	<u>23,439,617</u>
Capital Assets, Business-type Activities	<u>\$ 24,658,650</u>	<u>\$ 495,112</u>	<u>\$ -</u>	<u>\$ 25,153,762</u>

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

Business-type Activities	
Sewage Disposal System	\$ 52,737
Water Supply System	447,266
Wastewater Treatment System	422,522
Total	<u>\$ 922,525</u>

Note 6 - Long-term Debt

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

City of Owosso

Notes to the Financial Statements

The following is a summary of the long-term obligations of the City for the year ended June 30, 2022:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2021 General Obligation Unlimited Tax bonds, \$9,110,000, due in annual installments of \$480,000 to \$1,145,000 through May 1, 2039, interest at 3.00% - 4.00%, payable semi-annually.	\$ 9,110,000	\$ -	\$ 510,000	\$ 8,600,000	\$ 480,000
2021 General Obligation Limited Tax bonds, \$475,000, due in annual installments of \$50,000 to \$70,000 through May 1, 2029, interest at 4.00%, payable semi-annually.	475,000	-	50,000	425,000	55,000
Premium on 2021 GOUT Bonds	1,331,806	-	73,989	1,257,817	-
Premium on 2021 GOLT Bonds	62,250	-	7,781	54,469	-
Compensated Absences	395,188	387,752	395,188	387,752	193,876
Total Long-term Debt, Governmental Activities	\$ 11,374,244	\$ 387,752	\$ 1,036,958	\$ 10,725,038	\$ 728,876
Business-type Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
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.	\$ 980,000	\$ -	\$ 475,000	\$ 505,000	\$ 505,000
U.S. Bancorp Installment purchase, \$1,900,000 due in annual installments of \$150,919 through May 15, 2031, interest at 2.63%, payable annually.	1,236,396	-	116,548	1,119,848	119,516
State Revolving Fund 2009 Sewer System, \$801,786 due in annual installments of \$30,000 to \$55,000 through April 1, 2028, interest at 2.50%, payable semi-annually.	351,786	-	45,000	306,786	50,000
State Revolving Fund 2020 Collection System, \$1,340,000 due in annual installments of \$55,000 to \$80,000 through October 1, 2040, interest at 2.00%, payable semi-annually.	994,262	147,402	55,000	1,086,664	55,000
State Revolving Fund 2020 Wastewater Treatment System, \$2,145,000 due in annual installments of \$90,000 to \$130,000 through October 1, 2040, interest at 2.00%, payable semi-annually.	2,145,000	529,230	90,000	2,584,230	90,000
State Revolving Fund 2020 Drinking Water, \$3,220,000 due in annual installments of \$130,000 to \$195,000 through October 1, 2040, interest at 2.00%, payable semi-annually.	2,791,744	209,902	130,000	2,871,646	135,000
Compensated Absences	113,028	105,182	113,028	105,182	52,591
Total Long-term Debt, Business-type Activities	\$ 8,612,216	\$ 991,716	\$ 1,024,576	\$ 8,579,356	\$ 1,007,107

City of Owosso

Notes to the Financial Statements

Component Units	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Cass Street loan from primary government, \$211,137, due in annual installments of \$7,151 to \$51,265 through June 30, 2027, interest at 6.00%, payable annually.	\$ 92,846	\$ -	\$ 16,836	\$ 76,010	\$ 17,846
Cargill Brownfield loan from primary government, \$2,120,497, due in annual installments of \$105,900 to \$176,049 through January 1, 2032, interest at 4.00%, payable annually.	1,628,774	-	125,569	1,503,205	131,460
Qdoba and Retail Project loan from State of Michigan Department of Environment, Great Lakes and Energy, \$287,969, due in annual installments of \$24,274 to \$28,171 through March 31, 2031, interest at 1.50%, payable annually.	259,798	-	24,274	235,524	24,638
Total Long-term Debt, Component Units	<u>\$ 1,981,418</u>	<u>\$ -</u>	<u>\$ 166,679</u>	<u>\$ 1,814,739</u>	<u>\$ 173,944</u>

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

Year Ending June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 535,000	\$ 282,078	\$ 817,078	\$ 954,516	\$ 172,179	\$ 1,126,695
2024	540,000	307,050	847,050	462,655	153,934	616,589
2025	555,000	285,450	840,450	470,876	143,613	614,489
2026	575,000	263,250	838,250	479,181	133,108	612,289
2027	600,000	240,250	840,250	492,574	122,465	615,039
2028 - 2032	2,965,000	837,450	3,802,450	2,166,922	451,287	2,618,209
2033 - 2037	2,685,000	324,750	3,009,750	1,800,000	241,800	2,041,800
2038 - 2040	570,000	25,650	595,650	1,647,450	62,600	1,710,050
Totals	<u>\$ 9,025,000</u>	<u>\$ 2,565,928</u>	<u>\$ 11,590,928</u>	<u>\$ 8,474,174</u>	<u>\$ 1,480,986</u>	<u>\$ 9,955,160</u>

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

Year Ending June 30,	Component Unit		
	Principal	Interest	Total
2023	\$ 173,944	\$ 67,354	\$ 241,298
2024	180,644	60,654	241,298
2025	187,622	53,676	241,298
2026	192,835	46,404	239,239
2027	179,940	38,951	218,891
2028 - 2032	899,755	91,408	991,163
Totals	<u>\$ 1,814,739</u>	<u>\$ 358,447</u>	<u>\$ 2,173,186</u>

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.

City of Owosso

Notes to the Financial Statements

Series 2021 General Obligation Unlimited Tax Bonds

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

Defeased Debt

During 2021, the City advance refunded \$10,155,000 of bonds, as mentioned above, to purchase U.S. government securities were placed in an escrow fund for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the liability for the bonds was removed from the statement of net position. As of June 30, 2022, no funds were in escrow for the payment of these bonds as payment in full occurred on July 23, 2021.

Series 2021 General Obligation Limited Tax Bonds

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

Defeased Debt

During 2021, the City advance refunded \$505,000 of bonds, as mentioned above, to purchase U.S. government securities were placed in an escrow fund for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the liability for the bonds was removed from the statement of net position. As of June 30, 2022, no funds were in escrow for the payment of these bonds as payment in full occurred on July 23, 2021.

City of Owosso

Notes to the Financial Statements

Note 7 - Net Investment in Capital Assets

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

	Governmental Activities	Business-type Activities	Component Units
Add: Related Capital Assets:			
Capital Assets not being Depreciated	\$ 4,559,913	\$ 1,714,145	\$ -
Capital Assets being Depreciated, net	42,690,525	23,439,617	26,763
Deferred Charges	80,913	-	-
Less: Related Long-term Debt:			
Due within One Year	(535,000)	(954,516)	(4,694)
Due in more than One Year	(9,802,286)	(7,519,658)	(22,046)
Net Investment in Capital Assets	\$ 36,994,065	\$ 16,679,588	\$ 23

Note 8 - Defined Contribution Retirement Plan

The City provides pension benefits to the city manager position along with new employees under the AFSCME collective bargaining contract and general employees under the Personnel Policy Manual (revised as of 12-19-2022) with a defined contribution plan administered under ICMA-RC (company changed their name to Mission Square in 2022), for which the City provides employer contributions. In accordance with the collective bargaining agreement and personnel policy manual, the City contributed \$181,501 during the current year and employees contributed \$72,627 during the year. At June 30, 2022, the City had no outstanding amounts due to the Plan.

Note 9 - Defined Benefit Pension Plan

Plan Description

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

City of Owosso

Notes to the Financial Statements

Retirement benefits for employees are calculated as follows:

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

Employees Covered by Benefit Terms

At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	104
Inactive Plan Members Entitled To But Not Yet Receiving Benefits	5
Active Plan Members	47
<i>Total Employees Covered By MERS</i>	156

Contributions

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

For the year ended June 30, 2022, the City had the following contribution amounts:

<u>Division</u>	<u>Employee Contributions</u>	<u>Employer Contributions*</u>
AFSCME Council - Closed	6.40%	\$2,877/month
Police Command - Open	10.00%	39.13%
Fire hired before 5/1/19 - Closed	8.00%	\$15,312/month
AFSCME hired prior 7/1/05 - Closed	6.00%	\$17,712/month
General EE's hired prior 1/6/06 - Closed	6.00%	\$21,654/month
POLC Nonsupervisory - Closed	10.00%	\$9,883/month
Hybrid IAFF - Open	0.00%	6.23%

City of Owosso

Notes to the Financial Statements

Net Pension Liability

The net pension liability reported at June 30, 2022 was determined using a measure of the total pension liability and the pension net position as of December 31, 2021. The December 31, 2021 total pension liability was determined by an actuarial valuation performed as of December 31, 2021.

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.00% plus merit and longevity: 3.00% in the long-term
Investment Rate of Return	7.00%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.50% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation Gross Rate of Return</u>	<u>Long-term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.00%	9.50%	1.90%	2.50%	1.40%
<i>Totals</i>	<u>100.00%</u>		<u>7.00%</u>		<u>4.50%</u>

City of Owosso

Notes to the Financial Statements

Discount Rate

The discount rate used to measure the total pension liability in the current year and prior year was 7.25%. 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.

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

	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 46,196,403	\$ 41,818,619	\$ 4,377,784
<i>Changes for the Year:</i>			
Service Cost	490,586	-	490,586
Interest on Total Pension Liability	3,396,971	-	3,396,971
Differences Between Expected and Actual Experience	(1,115,880)	-	(1,115,880)
Changes of Assumptions	1,502,391	-	1,502,391
Contributions - Employer	-	1,467,148	(1,467,148)
Contributions - Employee	-	256,479	(256,479)
Net Investment Income	-	5,808,757	(5,808,757)
Benefit Payments, Including Refunds	(3,489,411)	(3,489,411)	-
Administrative Expenses	-	(66,679)	66,679
<i>Net Changes</i>	784,657	3,976,294	(3,191,637)
Balance at December 31, 2021	\$ 46,981,060	\$ 45,794,913	\$ 1,186,147
		Allocated to:	
		Governmental Activities	\$ 908,351
		Business-type Activities	277,796
		Total	\$ 1,186,147

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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

City of Owosso

Notes to the Financial Statements

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability of the City	\$ 6,129,285	\$ 1,186,147	\$ (2,993,675)

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

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2022 the City recognized pension expense of (\$532,963).

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

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 5,204,568
Difference between Expected and Actual Experience	182,254	743,920
Changes of Assumptions	1,167,165	-
Employer Contributions to the Plan Subsequent to the Measurement Date*	513,307	-
<i>Totals</i>	\$ 1,862,726	\$ 5,948,488
	Allocated as Follows:	
Governmental Activities	\$ 1,426,476	\$ 4,555,351
Business-type Activities	436,250	1,393,137
<i>Totals</i>	\$ 1,862,726	\$ 5,948,488

*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, 2023.

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

Fiscal Year Ended June 30,	Amount
2023	\$ (1,090,222)
2024	(1,400,691)
2025	(1,568,120)
2026	(540,036)

City of Owosso

Notes to the Financial Statements

Assumption and Method Change in 2022

Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. Full details of this dedicated gains policy are available in the Actuarial Policy found on the MERS website. Some goals of the dedicated gains policy are to:

- Provide a systematic approach to lower the assumed rate of investment return between experience studies, and
- Use excess gains to cover both the increase in normal cost and any increase in UAL payment the first year after implementation (i.e., minimize the first-year impact (i.e., increase) in employer contributions).

The dedicated gains policy has been implemented with the December 31, 2021 annual actuarial valuation. After initial application of the smoothing method, remaining market gains were used to lower the assumed rate of investment return from 7.35% to 7.00%. The December 31, 2021 valuation liabilities were developed using this new, lower assumption. Additionally, as a result of recognizing excess market gains, the valuation assets used to fund these liabilities are 7.2% higher than if there were no dedicated gain policy. The combined impact of these changes will minimize the first-year impact on employer contributions and may result in an increase or a decrease in employer contributions.

Note 10 - Construction Code Fees

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

Cumulative Surplus, Beginning of Year	\$ 283,868
Add: Building and Related Permit Revenue	189,601
Less: Related Expenditures - Direct Costs	<u>(334,296)</u>
Cumulative Surplus, End of Year	<u>\$ 139,173</u>

Note 11 - Fund Balances - Governmental Funds

City of Owosso

Notes to the Financial Statements

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

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

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>ARPA</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable						
Advance to Component Unit	\$ 1,497,328	\$ -	\$ -	\$ -	\$ -	\$ 1,497,328
Inventories	55,801	-	-	-	-	55,801
Prepaid Items	30,756	-	-	-	-	30,756
Total Nonspendable	1,583,885	-	-	-	-	1,583,885
Restricted for:						
Debt Service	-	-	-	-	52,941	52,941
Revolving Loan	-	-	-	-	1,128,084	1,128,084
Streets and Highways	-	2,171,175	1,241,519	-	-	3,412,694
Historical	-	-	-	-	78,267	78,267
Building Inspections	139,173	-	-	-	-	139,173
ARPA	-	-	-	2,629	-	2,629
Parks	52,646	-	-	-	81,214	133,860
Total Restricted	191,819	2,171,175	1,241,519	2,629	1,340,506	4,947,648
Assigned for:						
Portion of Expenditures	223,688	-	-	-	-	223,688
Building Authority	-	-	-	-	36,608	36,608
Downtown Development Authority Construction	-	-	-	-	33,796	33,796
Capital Projects	-	-	-	-	116,975	116,975
Compensated Absences	403,274	-	-	-	-	403,274
Special Assessment	100,000	-	-	-	-	100,000
Economic Development	500,000	-	-	-	-	500,000
Owosso Drain	58,110	-	-	-	-	58,110
Unfunded Pension Liability	500,000	-	-	-	-	500,000
Revenue Sharing - COVID Uncertainty	350,000	-	-	-	-	350,000
Capital Cuts	180,650	-	-	-	-	180,650
Contingencies	550,000	-	-	-	-	550,000
Street Assessments	250,000	-	-	-	-	250,000
Total Assigned	3,115,722	-	-	-	187,379	3,303,101
Unassigned	2,452,803	-	-	-	-	2,452,803
Total Fund Balances	\$ 7,344,229	\$ 2,171,175	\$ 1,241,519	\$ 2,629	\$ 1,527,885	\$ 12,287,437

City of Owosso

Notes to the Financial Statements

Note 12 - Tax Abatement Disclosure

Industrial property tax abatements are granted in the State of Michigan under Public Act 198, as amended, to promote economic development, creation of jobs, and new or improvement facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 50% of the local property tax millage rate for a period of 1 to 12 years. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2022, the City's property taxes were reduced by \$22,849 under this program.

Obsolete property rehabilitation tax abatements are granted in the State of Michigan under Public Act 146, as amended, to encourage investment in the significant renovation and/or rehabilitation of obsolete buildings for commercial use. The obsolete property rehabilitation tax (OPRA) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. OPRA exemptions can cover only real property. Property must be functionally obsolete as determined by the City Assessor as defined in the legislation. Project must be for a project that will have a commercial or commercial housing use. The taxable value of the qualifying property is set ("frozen") at the taxable value assigned in the year immediately preceding the effective date of the exemption certificate. New taxable value in excess of the frozen taxable value is exempted from certain millages levied on real property for a period of 1-12 years. The amount of the abatement is equal to the exempted mills applied to the amount of the taxable value created by investment in the project. The applicant and the City enter into a Memorandum of Agreement, by which the applicant agrees to pay (for distribution to the various tax collecting entities) an amount equal to amount of the taxes abated, if it does not meet the job creation or private investment estimates contained in their application. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2022, the City's property taxes were reduced by \$11,830 under this program.

The Personal Property Exemption, PA 328 of 1998, (MCL 211.9) as amended, affords a 100% property tax exemption for specific businesses located within eligible distressed communities. This exemption is for all new personal property placed in the district that has been established by the City. For the year ended June 30, 2022, the City's property taxes were reduced by \$65,609 under this program.

Brownfield redevelopment property tax abatements are granted in the State of Michigan under Public Act 381, as amended, to encourage investment in the revitalization, redevelopment, and reuse of certain properties considered contaminated, blighted, functionally obsolete, or historic resources. The brownfield redevelopment tax exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. Brownfield redevelopment exemptions can cover real and/or personal property. Property must be included in a Brownfield Plan and qualify as either a facility/site, functionally obsolete, blighted, historic resource, transit oriented

City of Owosso

Notes to the Financial Statements

property/development or a targeted redevelopment area. The beneficiary's taxes are not reduced, but are captured and reimbursed, thereby reducing the effective rate of taxation. Upon paying its taxes, a participant is eligible to be reimbursed, from a portion of its taxes paid, by the Brownfield Redevelopment Authority for the documented costs of its eligible activities, thereby reducing the effective tax that is paid. In this case, the taxes are not reduced, but are used to reimburse for certain eligible activity costs. The amount of taxes not collected by local taxing authorities is generally any amount of taxes in excess of those taxes paid in the year immediately preceding approval of a Brownfield Plan Amendment. Reimbursement is made pursuant to the terms and conditions of a Development and Reimbursement Agreement between the applicant and the Brownfield Redevelopment Authority. If taxes are captured and the terms and conditions of the Development and Reimbursement Agreement for the project are violated, the taxes may be returned to the taxing authorities that would otherwise have received the taxes. From time to time, the City and/or the Brownfield Redevelopment Authority participate in a project by making investments in public infrastructure surrounding a project. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. For the year ended June 30, 2022, the City's property taxes were reduced by \$90,263 under this program.

Note 13 - Risk Management

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

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

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

At June 30, 2022, the City had \$242,390 on deposit with the Authority to pay claims. Upon termination of the program, any amounts remaining on deposit after the Authority has settled all claims incurred prior to termination will be returned to the City. The City estimates the liability for claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported.

City of Owosso

Notes to the Financial Statements

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

	<u>2022</u>	<u>2021</u>
Unpaid Claims - Beginning of Year	\$ 10,000	\$ 65,961
Incurred Claims and Adjustments (including claims incurred but not reported)	111,038	23,531
Claim Payments	<u>(55,519)</u>	<u>(79,492)</u>
Unpaid Claims - End of Year	65,519	10,000
Assets Held on Deposit with Authority	<u>242,390</u>	<u>237,647</u>
Net Position - End of Year	<u>\$ 176,871</u>	<u>\$ 227,647</u>

Note 14 - Contingent Liabilities

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

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

Note 15 - Subsequent Events

The City continues to move forward with bonding for water and sewer infrastructure improvements using EGLE Drinking Water State Revolving Fund (DWSRF) and Clean Water State Revolving Fund loan financing programs. The new fiscal year (2022-2023) includes plans to bond for \$4.045 million in water distribution system and water treatment plant improvements and \$13.425 million in waste water treatment plant improvements. This debt was planned for and included in a five year utility rate study completed by Baker Tilly Municipal Advisors, LLC which was adopted by City Council in 2022.

In the Fiscal Year Ended 6-30-2022, the City bonded for \$4.345 million in water distribution system and water treatment plant improvements and \$4.885 million in waste water treatment plant improvements using EGLE DWSRF and CWSRF loan and grant programs.

The City had approved construction and engineering contracts by year end for water distribution system, water treatment plant and waste water treatment plant improvement projects associated with the EGLE financed projects.

City of Owosso

Notes to the Financial Statements

In addition, the City agreed to purchase an Osage Super Warrior Type III ambulance at a cost of \$228,591. The City has secured \$80,000 in grant dollars from USDA Rural Development Community Facilities Direct Loan & Grant program to assist with the purchase.

Note 16 - Leases

The City implemented GASB Statement Number 87 - *Leases* in the current year, but there were no leases that were deemed material.

Required Supplementary Information

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		(Unfavorable) Final to Actual
Revenues				
Property Taxes	\$ 3,795,670	\$ 3,945,044	\$ 3,948,864	\$ 3,820
Licenses and Permits	301,580	265,590	266,581	991
Intergovernmental	1,774,482	2,230,726	2,292,902	62,176
Charges for Services	1,098,650	1,152,607	1,197,856	45,249
Interest and Rentals	6,500	42,610	48,115	5,505
Other Revenue	1,767,353	974,822	976,450	1,628
Total Revenues	8,744,235	8,611,399	8,730,768	119,369
Other Financing Sources				
Sale of Fixed Assets	--	9,263	9,263	--
Total Revenues and Other Financing Sources	8,744,235	8,620,662	8,740,031	119,369
Expenditures				
General Government				
City Council	5,300	9,526	8,556	970
City Manager	262,583	262,744	256,315	6,429
Finance	306,305	351,924	308,668	43,256
Assessing	183,407	192,051	188,983	3,068
Attorney	118,000	117,305	113,032	4,273
Clerk	299,570	299,667	276,478	23,189
Human Resources	215,734	216,437	195,380	21,057
Treasurer	167,057	167,089	166,030	1,059
Information Technology	134,965	134,965	104,099	30,866
Buildings and Ground Maintenance	140,540	148,936	147,488	1,448
General Administration	352,776	506,748	462,072	44,676
Total General Government	2,186,237	2,407,392	2,227,101	180,291
Public Safety				
Police	2,263,812	2,296,083	2,324,283	(28,200)
Fire Department	2,012,337	2,034,582	2,099,964	(65,382)
Building and Code Enforcement	344,476	584,421	579,437	4,984
Total Public Safety	4,620,625	4,915,086	5,003,684	(88,598)
Public Works				
Public Works	668,878	703,393	599,647	103,746
Leaf and Brush Collection	231,500	270,788	255,420	15,368
Parking	33,000	33,000	26,837	6,163
Total Public Works	933,378	1,007,181	881,904	125,277
Community Development	85,599	121,708	63,013	58,695
Parks	203,293	243,637	273,386	(29,749)
Total Expenditures	8,029,132	8,695,004	8,449,088	245,916
Other Financing Uses				
Transfers Out	715,103	715,103	545,577	169,526
Total Expenditures and Other Financing Uses	8,744,235	9,410,107	8,994,665	415,442
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses				
	--	(789,445)	(254,634)	534,811
Net Change in Fund Balance	--	(789,445)	(254,634)	534,811
<i>Fund Balance at Beginning of Period</i>	7,598,863	7,598,863	7,598,863	--
Fund Balance at End of Period	\$ 7,598,863	\$ 6,809,418	\$ 7,344,229	\$ 534,811

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Major Streets
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Special Assessments	\$ 249,094	\$ 249,094	\$ 386,376	\$ 137,282
Intergovernmental	1,748,073	1,555,400	1,585,116	29,716
Interest and Rentals	150	400	499	99
Total Revenues	<u>1,997,317</u>	<u>1,804,894</u>	<u>1,971,991</u>	<u>167,097</u>
Other Financing Sources				
Transfers In	674,084	668,993	668,993	--
Total Revenues and Other Financing Sources	<u>2,671,401</u>	<u>2,473,887</u>	<u>2,640,984</u>	<u>167,097</u>
Expenditures				
Public Works	1,816,948	1,944,431	1,540,670	403,761
Total Expenditures	<u>1,816,948</u>	<u>1,944,431</u>	<u>1,540,670</u>	<u>403,761</u>
Other Financing Uses				
Transfers Out	342,424	342,424	342,424	--
Total Expenditures and Other Financing Uses	<u>2,159,372</u>	<u>2,286,855</u>	<u>1,883,094</u>	<u>403,761</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>512,029</u>	<u>187,032</u>	<u>757,890</u>	<u>570,858</u>
Net Change in Fund Balance	<u>512,029</u>	<u>187,032</u>	<u>757,890</u>	<u>570,858</u>
<i>Fund Balance at Beginning of Period</i>	1,413,285	1,413,285	1,413,285	--
Fund Balance at End of Period	<u>\$ 1,925,314</u>	<u>\$ 1,600,317</u>	<u>\$ 2,171,175</u>	<u>\$ 570,858</u>

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
Local Streets
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Special Assessments	\$ 61,000	\$ 61,000	\$ 181,895	\$ 120,895
Intergovernmental	516,274	517,048	530,384	13,336
Interest and Rentals	50	350	423	73
Total Revenues	<u>577,324</u>	<u>578,398</u>	<u>712,702</u>	<u>134,304</u>
Other Financing Sources				
Transfers In	842,424	847,414	847,414	--
Total Revenues and Other Financing Sources	<u>1,419,748</u>	<u>1,425,812</u>	<u>1,560,116</u>	<u>134,304</u>
Expenditures				
Public Works	1,452,844	1,768,184	1,601,245	166,939
Total Expenditures	<u>1,452,844</u>	<u>1,768,184</u>	<u>1,601,245</u>	<u>166,939</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>(33,096)</u>	<u>(342,372)</u>	<u>(41,129)</u>	<u>301,243</u>
Net Change in Fund Balance	<u>(33,096)</u>	<u>(342,372)</u>	<u>(41,129)</u>	<u>301,243</u>
<i>Fund Balance at Beginning of Period</i>	1,282,648	1,282,648	1,282,648	--
Fund Balance at End of Period	<u>\$ 1,249,552</u>	<u>\$ 940,276</u>	<u>\$ 1,241,519</u>	<u>\$ 301,243</u>

City of Owosso
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
ARPA
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Intergovernmental	\$ --	\$ 1,511,520	\$ --	\$ (1,511,520)
Interest and Rentals	--	850	2,629	1,779
Total Revenues	<u>--</u>	<u>1,512,370</u>	<u>2,629</u>	<u>(1,509,741)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	--	1,512,370	2,629	(1,509,741)
Net Change in Fund Balance	<u>--</u>	<u>1,512,370</u>	<u>2,629</u>	<u>(1,509,741)</u>
<i>Fund Balance at Beginning of Period</i>	--	--	--	--
Fund Balance at End of Period	<u>\$ --</u>	<u>\$ 1,512,370</u>	<u>\$ 2,629</u>	<u>\$ (1,509,741)</u>

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

	2021	2020***	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 490,586	\$ 511,427	\$ 206,341	\$ 58,387	\$ 60,121	\$ 58,476	\$ 59,072	\$ 56,663
Interest on Total Pension Liability	3,396,971	751,518	392,133	386,699	372,940	370,415	367,218	364,054
Differences Between Expected and Actual Experience	(1,115,880)	36,158,635	5,515,134	33,459	128,899	(6,914)	(109,144)	-
Changes of Assumptions**	1,502,391	299,435	164,399	-	-	-	203,319	-
Changes in Benefit Terms	-	-	-	-	7,111	5,931	50,916	-
Benefit Payments, Including Refunds	(3,489,411)	(2,314,615)	(572,986)	(396,219)	(396,218)	(398,083)	(385,997)	(381,134)
Net Change in Pension Liability	<u>784,657</u>	<u>35,406,400</u>	<u>5,705,021</u>	<u>82,326</u>	<u>172,853</u>	<u>29,825</u>	<u>185,384</u>	<u>39,583</u>
<i>Total Pension Liability - Beginning</i>	46,196,403	10,790,003	5,084,982	5,002,656	4,829,803	4,799,978	4,614,594	4,575,011
Total Pension Liability - Ending (a)	<u>\$ 46,981,060</u>	<u>\$ 46,196,403</u>	<u>\$ 10,790,003</u>	<u>\$ 5,084,982</u>	<u>\$ 5,002,656</u>	<u>\$ 4,829,803</u>	<u>\$ 4,799,978</u>	<u>\$ 4,614,594</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 1,467,148	\$ 25,564,961	\$ 5,953,640	\$ 140,293	\$ 139,100	\$ 206,166	\$ 45,863	\$ 50,484
Contributions - Employee	256,479	2,857,659	85,826	42,775	43,917	45,641	59,586	59,724
Net Investment Income (Loss)	5,808,757	6,810,907	543,653	(122,935)	399,865	328,921	(45,980)	205,685
Benefit Payments, Including Refunds	(3,489,411)	(2,314,615)	(572,986)	(396,218)	(396,218)	(398,083)	(385,997)	(381,134)
Administrative Expenses	(66,679)	(52,632)	(9,039)	(6,246)	(6,346)	(6,486)	(6,899)	(7,495)
Net Change in Plan Fiduciary Net Position	<u>3,976,294</u>	<u>32,866,280</u>	<u>6,001,094</u>	<u>(342,331)</u>	<u>180,318</u>	<u>176,159</u>	<u>(333,427)</u>	<u>(72,736)</u>
<i>Plan Fiduciary Net Position - Beginning</i>	41,818,619	8,952,339	2,951,245	3,293,576	3,113,258	2,937,099	3,270,526	3,343,262
Plan Fiduciary Net Position - Ending (b)	<u>\$ 45,794,913</u>	<u>\$ 41,818,619</u>	<u>\$ 8,952,339</u>	<u>\$ 2,951,245</u>	<u>\$ 3,293,576</u>	<u>\$ 3,113,258</u>	<u>\$ 2,937,099</u>	<u>\$ 3,270,526</u>
Net Pension Liability - Ending (a) - (b)	\$ 1,186,147	\$ 4,377,784	\$ 1,837,664	\$ 2,133,737	\$ 1,709,080	\$ 1,716,545	\$ 1,862,879	\$ 1,344,068
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.48%	90.52%	82.97%	58.04%	65.84%	64.46%	61.19%	70.87%
Covered Payroll	\$ 3,081,347	\$ 3,262,120	\$ 1,347,302	\$ 427,743	\$ 418,961	\$ 413,925	\$ 313,381	\$ 339,241
Net Pension Liability as a Percentage of Covered Payroll	38.49%	134.20%	136.40%	498.84%	407.93%	414.70%	594.45%	396.20%

Notes to Schedule:

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

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

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

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

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

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

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

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

	<u>2022</u>	<u>2021**</u>	<u>2020**</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,024,696	\$ 846,081	\$ 5,138,223	\$ 140,293	\$ 139,100	\$ 128,079	\$ 81,621	\$ 46,402
Contributions in Relation to the Actuarially Determined Contribution	<u>1,025,418</u>	<u>1,350,383</u>	<u>5,953,640</u>	<u>140,293</u>	<u>139,100</u>	<u>128,079</u>	<u>81,621</u>	<u>46,402</u>
Contribution Deficiency (Excess)	<u>\$ (722)</u>	<u>\$ (504,302)</u>	<u>\$ (815,417)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 3,393,782	\$ 3,179,541	\$ 1,347,302	\$ 432,876	\$ 423,989	\$ 424,603	\$ 430,897	\$ 311,669
Contributions as a Percentage of Covered Payroll	30.21%	42.47%	441.89%	32.41%	32.81%	30.16%	18.94%	14.89%

Notes

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry-age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	17 Years
Asset Valuation Method	5-year Smoothed
Inflation	2.50%
Salary Increases	3.00% Wage Inflation with 0.00%-11.00% Merit and Longevity Increases (3.75% for 2015 through 2019)
Investment Rate of Return	7.00%, Net of Investment Expense, including Inflation (7.75% for 2015 through 2019 and 7.35% for 2020)
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 and fully generational MP-2019

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

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

Combining and Individual Fund Statements and Schedules

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

Special Revenue

	<u>Historical Fund</u>	<u>Revolving Loan</u>	<u>Parks / Recreation Sites</u>	<u>Historical Sites</u>	<u>2019 Special Assessment</u>	<u>2020 Special Assessment</u>	<u>2021 Special Assessments</u>	<u>2018 Special Assessment</u>
ASSETS								
Cash and Investments	\$ 79,937	\$ 553,466	\$ 81,337	\$ --	\$ --	\$ --	\$ --	\$ --
Accounts Receivable, net	--	574,618	--	--	--	--	--	--
Special Assessments Receivable	--	--	--	--	115,074	127,331	399,691	290,190
<i>Total Assets</i>	\$ 79,937	\$ 1,128,084	\$ 81,337	\$ --	\$ 115,074	\$ 127,331	\$ 399,691	\$ 290,190
LIABILITIES								
Accounts Payable	\$ 1,384	--	\$ 123	\$ --	\$ --	\$ --	\$ --	\$ --
Accrued Wages	286	--	--	--	--	--	--	--
<i>Total Liabilities</i>	1,670	--	123	--	--	--	--	--
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenues	--	--	--	--	115,074	127,331	399,691	290,190
<i>Total Liabilities and Deferred Inflows of Resources</i>	1,670	--	123	--	115,074	127,331	399,691	290,190
FUND BALANCE								
Restricted	78,267	1,128,084	81,214	--	--	--	--	--
Assigned	--	--	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	78,267	1,128,084	81,214	--	--	--	--	--
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	\$ 79,937	\$ 1,128,084	\$ 81,337	\$ --	\$ 115,074	\$ 127,331	\$ 399,691	\$ 290,190

Continued...

**City of Owosso
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022**

	Debt Service				Capital Projects				Total Nonmajor Governmental Funds
	2013 General Obligation Bonds	2013 Special Assessment Limited Tax Bonds	2016 Special Assessment Limited Tax Bonds	2009 Limited Tax General Obligation Bonds	Street Capital Project Fund	Building Authority	DDA Construction Fund	Capital Projects	
ASSETS									
Cash and Investments	\$ 45,570	\$ --	\$ --	\$ --	\$ --	\$ 36,608	\$ 33,796	\$ 145,662	\$ 976,376
Accounts Receivable, net	7,371	--	--	--	--	--	--	--	581,989
Special Assessments Receivable	--	3,029	25,456	--	--	--	--	--	960,771
<i>Total Assets</i>	\$ 52,941	\$ 3,029	\$ 25,456	\$ --	\$ --	\$ 36,608	\$ 33,796	\$ 145,662	\$ 2,519,136
LIABILITIES									
Accounts Payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 28,687	\$ 30,194
Accrued Wages	--	--	--	--	--	--	--	--	286
<i>Total Liabilities</i>	--	--	--	--	--	--	--	28,687	30,480
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenues	--	3,029	25,456	--	--	--	--	--	960,771
<i>Total Liabilities and Deferred Inflows of Resources</i>	--	3,029	25,456	--	--	--	--	28,687	991,251
FUND BALANCE									
Restricted	52,941	--	--	--	--	--	--	--	1,340,506
Assigned	--	--	--	--	--	36,608	33,796	116,975	187,379
Unassigned	--	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	52,941	--	--	--	--	36,608	33,796	116,975	1,527,885
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	\$ 52,941	\$ 3,029	\$ 25,456	\$ --	\$ --	\$ 36,608	\$ 33,796	\$ 145,662	\$ 2,519,136

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

Special Revenue

	Historical Fund	Revolving Loan	Parks / Recreation Sites	Historical Sites	2019 Special Assessment	2020 Special Assessment	2021 Special Assessments	2018 Special Assessment
Revenues								
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	2,644	2,645	--	--	--	--
Charges for Services	3,650	--	--	--	--	--	--	--
Interest and Rentals	15,661	1,132	21	17	--	--	--	--
Other Revenue	16,251	13,968	--	--	--	--	--	--
Total Revenues	35,562	15,100	2,665	2,662	--	--	--	--
Expenditures								
Community and Economic Development	--	85,473	--	--	--	--	--	--
Recreation and Culture	44,294	--	81,534	210,015	--	--	--	--
Debt Service, Principal	--	--	--	--	--	--	--	--
Debt Service, Interest	--	--	--	--	--	--	--	--
Capital Outlay	--	--	--	--	--	--	--	--
Total Expenditures	44,294	85,473	81,534	210,015	--	--	--	--
Excess of Revenues Over (Under) Expenditures	(8,732)	(70,373)	(78,869)	(207,353)	--	--	--	--
Other Financing Sources (Uses)								
Transfers In	17,000	--	--	--	--	--	--	--
Transfers Out	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	17,000	--	--	--	--	--	--	--
Net Change in Fund Balance	8,268	(70,373)	(78,869)	(207,353)	--	--	--	--
Fund Balance at Beginning of Period	69,999	1,198,457	160,083	207,353	--	--	--	--
Fund Balance at End of Period	\$ 78,267	\$ 1,128,084	\$ 81,214	\$ --	\$ --	\$ --	\$ --	\$ --

Continued...

City of Owosso
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Debt Service				Capital Projects				Total Nonmajor Governmental Funds
	2013 General Obligation Bonds	2013 Special Assessment Limited Tax Bonds	2016 Special Assessment Limited Tax Bonds	2009 Limited Tax General Obligation Bonds	Street Capital Project Fund	Building Authority	DDA Construction Fund	Capital Projects	
Revenues									
Property Taxes	\$ 720,298	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 720,298
Intergovernmental	51,781	--	--	66,756	--	--	--	--	123,826
Charges for Services	--	--	--	--	--	--	--	--	3,650
Interest and Rentals	30	--	--	--	140	--	--	--	17,001
Other Revenue	7,371	--	--	--	--	--	34,665	--	72,255
Total Revenues	<u>779,480</u>	<u>--</u>	<u>--</u>	<u>66,756</u>	<u>140</u>	<u>--</u>	<u>34,665</u>	<u>--</u>	<u>937,030</u>
Expenditures									
Community and Economic Development	--	--	--	--	--	--	--	--	85,473
Recreation and Culture	--	--	--	--	--	--	--	--	335,843
Debt Service, Principal	510,000	--	--	50,000	--	--	--	--	560,000
Debt Service, Interest	284,416	--	--	16,756	--	--	--	--	301,172
Capital Outlay	--	--	--	--	--	--	37,160	564,521	601,681
Total Expenditures	<u>794,416</u>	<u>--</u>	<u>--</u>	<u>66,756</u>	<u>--</u>	<u>--</u>	<u>37,160</u>	<u>564,521</u>	<u>1,884,169</u>
Excess of Revenues Over (Under) Expenditures	<u>(14,936)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>140</u>	<u>--</u>	<u>(2,495)</u>	<u>(564,521)</u>	<u>(947,139)</u>
Other Financing Sources (Uses)									
Transfers In	--	--	--	--	--	--	--	528,577	545,577
Transfers Out	--	--	--	--	(1,173,983)	--	--	--	(1,173,983)
Net Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,173,983)</u>	<u>--</u>	<u>--</u>	<u>528,577</u>	<u>(628,406)</u>
Net Change in Fund Balance	<u>(14,936)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,173,843)</u>	<u>--</u>	<u>(2,495)</u>	<u>(35,944)</u>	<u>(1,575,545)</u>
Fund Balance at Beginning of Period	67,877	--	--	--	1,173,843	36,608	36,291	152,919	3,103,430
Fund Balance at End of Period	<u>\$ 52,941</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 36,608</u>	<u>\$ 33,796</u>	<u>\$ 116,975</u>	<u>\$ 1,527,885</u>

City of Owosso
Governmental Fund Balance Sheet / Statement of Net Position
Component Unit - Brownfield Redevelopment Authority
June 30, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 197,095	\$ --	\$ 197,095
Total Assets	<u>197,095</u>	<u>--</u>	<u>197,095</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	4,800	--	4,800
Accrued Interest	--	883	2 883
Current Portion of Long-term Debt	--	173,944	1 173,944
Total Current Liabilities	<u>4,800</u>	<u>174,827</u>	<u>179,627</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,640,796	1 1,640,796
Total Noncurrent Liabilities	<u>--</u>	<u>1,640,796</u>	<u>1,640,796</u>
Total Liabilities	<u>4,800</u>	<u>1,815,623</u>	<u>1,820,423</u>
FUND BALANCE / NET POSITION			
Unassigned / Unrestricted	192,295	(1,815,623)	(1,623,328)
Total Fund Balance / Net Position	<u>\$ 192,295</u>	<u>\$ (1,815,623)</u>	<u>\$ (1,623,328)</u>

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

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

City of Owosso
Governmental Fund Statement of Revenues, Expenditures, and Change in Fund Balance /
Statement of Activities
Component Unit - Brownfield Redevelopment Authority
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
Expenditures / Expenses			
Debt Service, Principal	\$ 166,770	\$ (166,770)	1 \$ --
Debt Service, Interest	59,523	(59,523)	--
Community and Economic Development	220,819	1	220,820
Interest on Long-term Debt	--	59,523	2 59,523
Total Expenditures / Expenses	<u>447,112</u>	<u>(166,769)</u>	<u>280,343</u>
Program Revenues			
Operating Grants and Contributions	148,926	--	148,926
Total Program Revenues	<u>148,926</u>	<u>--</u>	<u>148,926</u>
Net Program Revenues (Expenses)	<u>(298,186)</u>	<u>166,769</u>	<u>(131,417)</u>
General Revenues			
Property Taxes	414,291	--	414,291
Investment Income	3	--	3
Total General Revenues	<u>414,294</u>	<u>--</u>	<u>414,294</u>
Change in Fund Balance / Net Position	116,108	166,769	282,877
<i>Fund Balance / Net Position at Beginning of Period</i>	76,187	(1,982,392)	(1,906,205)
Fund Balance / Net Position at End of Period	\$ <u>192,295</u>	\$ <u>(1,815,623)</u>	\$ <u>(1,623,328)</u>

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

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

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

To the City Council
City of Owosso
Owosso, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of City of Owosso (the "City"), as of and for the year ended June 30, 2022, 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 30, 2022.

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) as a basis for designing 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.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Gabridge & Company, PLC
Grand Rapids, MI
December 30, 2022

December 30, 2022

To the City Council
City of Owosso
Owosso, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discreetly presented component units, each major fund, and the aggregate remaining fund information of the City of Owosso, Michigan (the “City”) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 4, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. There were no new accounting policies adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2022. We noted no transactions entered by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the pension schedules, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

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

Gabridge & Company, PLC
Grand Rapids, MI