

City of Fremont,
Michigan



Year Ended
June 30, 2017

Financial
Statements

CITY OF FREMONT, MICHIGAN

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CITY OF FREMONT, MICHIGAN

Elected and Appointed Officials For the Year Ended June 30, 2017

Elected Officials

Mayor	James Rynberg
Mayor Pro Tem	Don Henry
Council Members	Jane Drake Michael Carpenter

Appointed Officials

City Manager/Finance Director	Todd Blake
City Treasurer	Joyce Winchel
City Clerk	Vicci TerVeer

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INDEPENDENT AUDITORS' REPORT

October 24, 2017

Honorable Mayor and
Members of the City Council
City of Fremont, Michigan
Fremont, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Fremont, Michigan* (the "City"), as of and for the year ended June 30, 2017, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fremont, Michigan as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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

Rehmann Johnson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

This discussion and analysis is intended to serve as an introduction to the City of Fremont, Michigan's (the "City") basic financial statements. This report consists of a series of financial statements for the City as of June 30, 2017. The City's basic financial statements are comprised of three components:

- Governmental-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City operations in more detail than the government-wide financial statements.

This report also contains other required supplementary information in addition to the basic financial statements themselves.

Financial Highlights

- At the close of the fiscal year, the City of Fremont had total assets of \$28,787,520, deferred outflows of resources of \$960,398, and total liabilities of \$6,945,536, leaving net position of \$22,802,382.
- Total revenues, including all program and general revenues, were \$5,448,021, comprised of governmental revenues of \$4,121,639 and business-type revenues of \$1,326,382.
- Total expenses for all of the City's programs were \$6,181,222. Of that total, the governmental expenses were \$4,058,425 and the business-type expenses were \$2,122,797.
- The City was able to maintain the same quality level of City services to its citizens with no increase in its property tax levy, nor elimination of any programs.

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 the reader with a broad overview of the City's finances. The statements are similar to those of a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources and liabilities, 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 fiscal year. The City reports all changes in net position when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Both of the government-wide statements mentioned above distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The government activities of the City include general government, public safety, public works, community and economic development, and cultural and recreational activities. The business-type activities of the City include water distribution and sanitary sewer services.

The Statement of Net Position and the Statement of Activities include not only the City of Fremont itself (known as the primary government), but also discretely presented component units. Component units are separate legal entities for which the City has some level of financial accountability. The City has three component units presented in a Combining Statement of Net Position and Combining Statement of Activities: the Downtown Development Authority (DDA), the Local Development Finance Authority (LDFA), and the Fremont Community Joint Planning Commission (Commission). The component units exist primarily for the issuance and repayment of debt that is used to finance capital projects in specific commercial and industrial areas of the City.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources, uses and balances of expendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Major Streets funds, which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein for the general fund and special revenue funds to demonstrate compliance with those budgets.

Proprietary Funds. The City of Fremont has two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution and sanitary sewer operations. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MERS pension and other postemployment benefits plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

Recall that the statement of net position provides the perspective of the City as a whole. The following table provides a summary of the City's net position. As of June 30, 2017, the City's net position from governmental activities totaled \$11,230,934 and \$11,571,448 from business-type activities, for a government-wide net position total of \$22,802,382.

In examining the composition of net position, the reader should note that the amount of governmental activities invested in capital assets (i.e., streets, buildings, furniture and equipment, etc.) are used to provide services to the residents, and are not available to pay salaries or operational expenses or to fund capital projects. The unrestricted net deficit for governmental activities was \$2,318,126.

Governmental activities current and other assets increased by \$513,983. This increase is partially attributable to an increase in cash and investments. Capital asset additions related to construction projects and equipment purchases were \$226,633, net of depreciation expense of \$1,167,073, contributing to the decrease in capital assets of \$944,037. Total long-term liabilities decreased by \$73,952, primarily due to the scheduled principal payments on long-term debt.

Business-type activities assets and current liabilities decreased from the prior year, primarily as a result of a lump sum payment to MERS related to the City's net pension liability.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 2,975,416	\$ 2,461,433	\$ 2,092,486	\$ 2,958,811	\$ 5,067,902	\$ 5,420,244
Capital assets, net	13,191,112	14,135,149	10,528,506	10,788,762	23,719,618	24,923,911
Total assets	<u>16,166,528</u>	<u>16,596,582</u>	<u>12,620,992</u>	<u>13,747,573</u>	<u>28,787,520</u>	<u>30,344,155</u>
Deferred outflows of resources	<u>745,270</u>	<u>988,055</u>	<u>215,128</u>	<u>285,211</u>	<u>960,398</u>	<u>1,273,266</u>
Current and other liabilities	4,616,409	5,278,510	1,232,933	1,635,552	5,849,342	6,914,062
Long-term liabilities	1,064,455	1,138,407	31,739	29,369	1,096,194	1,167,776
Total liabilities	<u>5,680,864</u>	<u>6,416,917</u>	<u>1,264,672</u>	<u>1,664,921</u>	<u>6,945,536</u>	<u>8,081,838</u>
Net position:						
Net investment in capital assets	12,495,106	13,315,404	10,528,506	10,788,762	23,023,612	24,104,166
Restricted	1,053,954	844,745	-	-	1,053,954	844,745
Unrestricted (deficit)	(2,318,126)	(2,992,429)	1,042,942	1,579,101	(1,275,184)	(1,413,328)
Total net position	<u>\$11,230,934</u>	<u>\$11,167,720</u>	<u>\$11,571,448</u>	<u>\$12,367,863</u>	<u>\$22,802,382</u>	<u>\$23,535,583</u>

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

The results of this year's operations for the City as a whole are reported in the statement of activities, which shows the changes in net position.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	\$ 929,753	\$ 875,886	\$ 1,312,554	\$ 1,243,501	\$ 2,242,307	\$ 2,119,387
Operating grants	566,372	505,011	10,828	9,050	577,200	514,061
Capital grants	218,461	236,714	3,000	1,500	221,461	238,214
General revenues:						
Property taxes	1,780,420	1,629,775	-	-	1,780,420	1,629,775
Licenses and permits	50,611	52,354	-	-	50,611	52,354
Unrestricted grants	549,524	403,295	-	-	549,524	403,295
Gain on sale of capital assets	15,156	7,752	-	-	15,156	7,752
Unrestricted investment earnings	6,953	13,166	-	-	6,953	13,166
Miscellaneous	4,389	9,000	-	-	4,389	9,000
Total revenues	4,121,639	3,732,953	1,326,382	1,254,051	5,448,021	4,987,004
Expenses						
General government	806,474	960,089	-	-	806,474	960,089
Public safety	1,695,680	1,928,318	-	-	1,695,680	1,928,318
Public works	1,259,630	1,679,934	-	-	1,259,630	1,679,934
Community and economic development	78,731	106,444	-	-	78,731	106,444
Culture and recreation	187,371	269,902	-	-	187,371	269,902
Interest on long-term debt	30,539	34,570	-	-	30,539	34,570
Sewer	-	-	960,656	646,422	960,656	646,422
Water	-	-	1,162,141	721,806	1,162,141	721,806
Total expenses	4,058,425	4,979,257	2,122,797	1,368,228	6,181,222	6,347,485
Change in net position	63,214	(1,246,304)	(796,415)	(114,177)	(733,201)	(1,360,481)
Net position, beginning of year	11,167,720	12,414,024	12,367,863	12,482,040	23,535,583	24,896,064
Net position, end of year	\$11,230,934	\$11,167,720	\$11,571,448	\$12,367,863	\$22,802,382	\$23,535,583

Governmental Activities. Governmental activities increased the City's net position by \$63,214. Key elements of this increase are as follows:

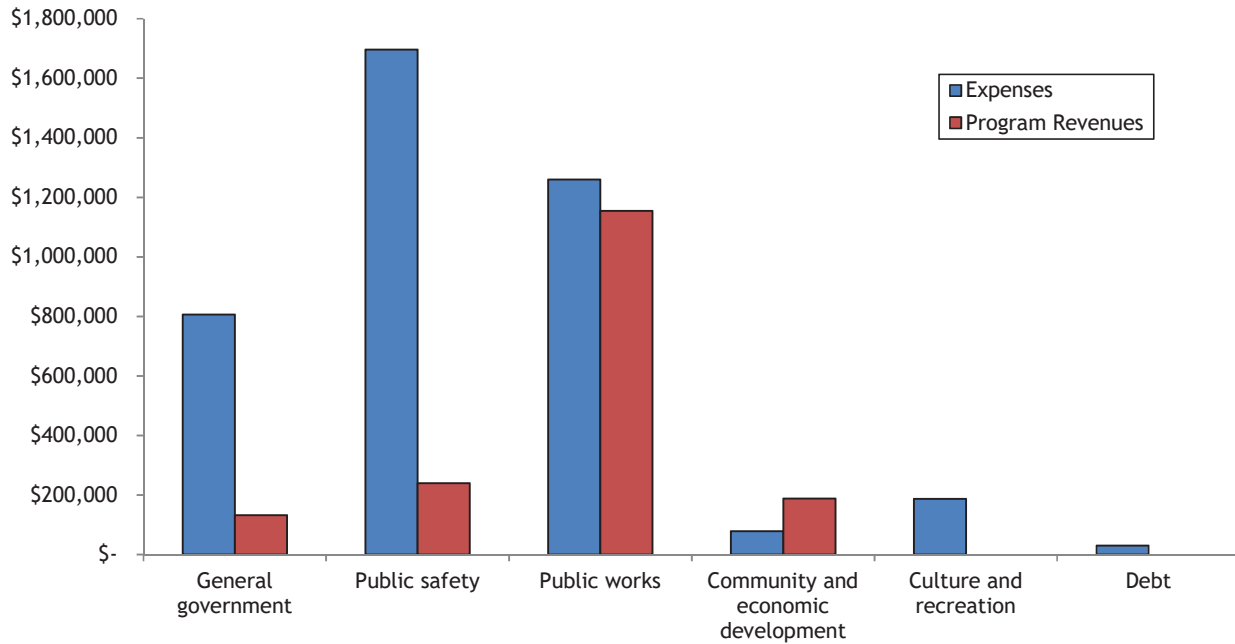
- The City's \$388,686 increase in governmental activities revenue is mainly due to a \$207,590 increase in operating and unrestricted grant revenues and \$150,645 increase in tax revenues. And with a reduction in total expenses of \$920,832, the City experienced an improvement of \$1,309,518 from 2016, increasing the City's net position in governmental activities by \$63,214 as opposed to last year's decrease of \$1,246,304.

CITY OF FREMONT, MICHIGAN

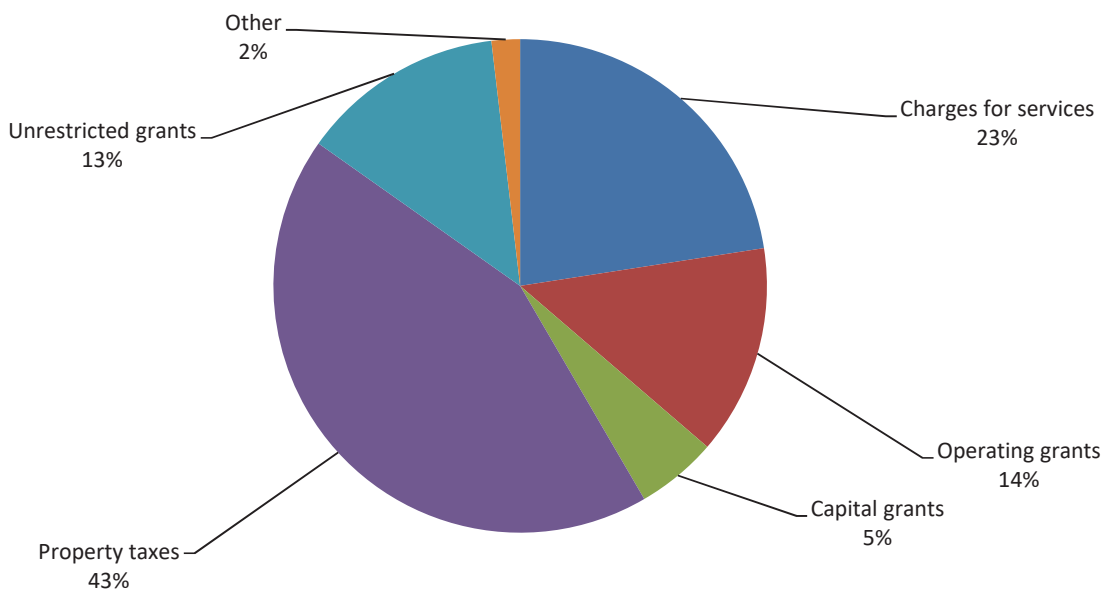
Management's Discussion and Analysis

- Business-type activities net position decrease of \$796,415 is due to a one-time \$900,000 payment from the Water (\$500,000) & Sewer Funds (\$400,000) to MERS, to help reduce employee pension liability.
- Depreciation of the City's infrastructure (\$751,430) and buildings and other assets (\$415,643) has decreased governmental activities net position by \$1,167,073.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



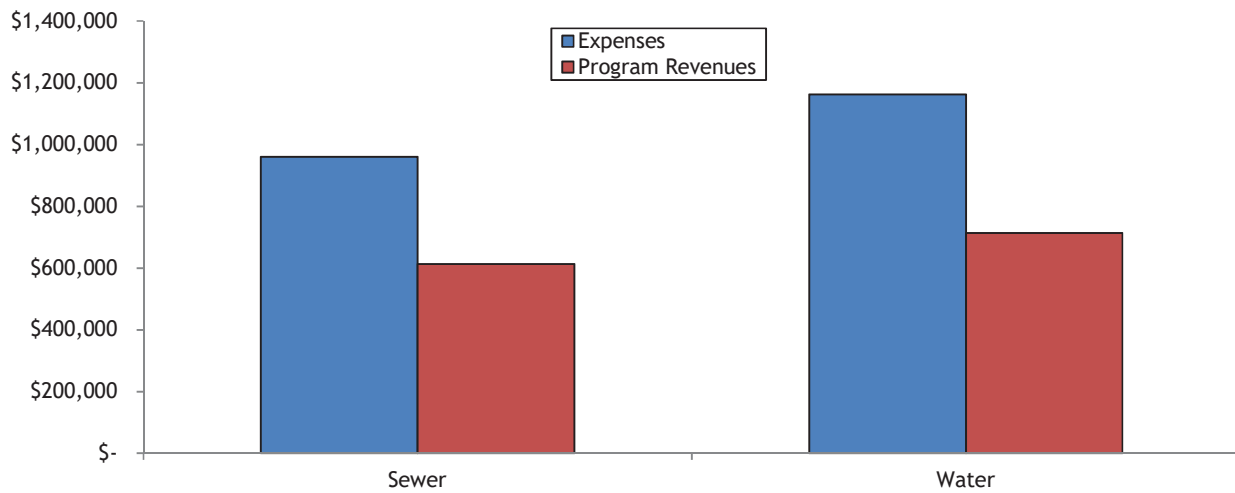
CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

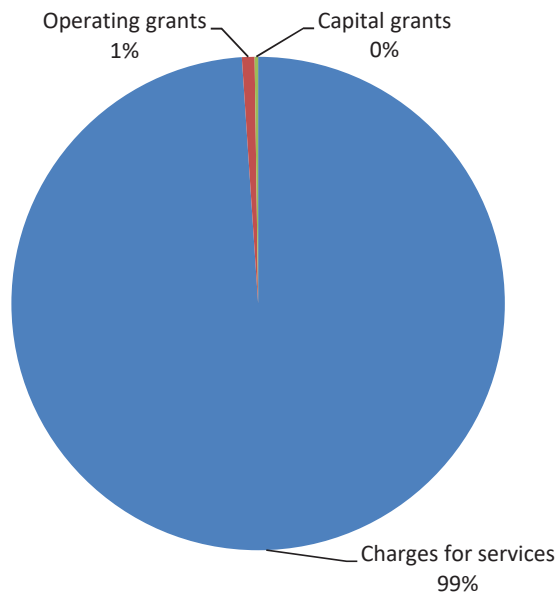
Business-type Activities. Business-type activities decreased the City's net position by \$796,415. Key elements of this decrease are as follows:

- Overall business-type revenues increased 5.77% however expenses increased 55.15%. The increase in expenses related to the increase in retirement costs as a result of a one time voluntary contribution to the City's pension plan by the water and sewer funds.
- Expenses in the Sewer Funds increased by 48.61% and Water Funds increased 61.00% respectively, mainly caused by the pension contribution noted in the previous paragraph.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As stated earlier in this Management's Discussion and Analysis, the City of Fremont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the 2017 fiscal year, the governmental funds reported a combined fund balance of \$2,023,219. Of this number, \$568,027 represents the General Fund's unassigned fund balance. The unassigned balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is classified as nonspendable, restricted, committed or assigned.

The General Fund is the chief operating fund of the City. The General Fund pays for administration, public safety, public works, elections, legal, recreation, garbage collection, boards and commissions and other minor functions. The General Fund ended the year with a total fund balance of \$687,118, an increase of \$204,196 (42.28%) from fiscal year 2015/16. The health of the General Fund may be measured by the ratio of General Fund fund balance to annual General Fund expenditures. Total General Fund fund balance on June 30, 2017 represents 21.89% of the general fund expenditures and transfers out, while unassigned fund balance amounts to 18.09%.

Overall and in comparison to the previous year, General Fund revenues increased by \$301,482 and expenditures decreased by \$22,441. Revenues increased due to an increase in the local stabilization payment from the State for loss revenues from the elimination/phaseout of personal property taxes, and increased property tax revenue due to a substantial increase in development during the 2015 calendar year that increased the tax base for 2016 taxes.

Although state shared revenues (gas and weight tax, etc.) remained stagnant, both Major Streets and Local Streets funds financed reconstruction and resurfacing projects that were needed and concluded during the fiscal year. The Major Streets fund experienced an increase in fund balance of \$133,088, with a total restricted fund balance of \$515,535 at year-end.

The City will continue to help fund special assessment projects through the Local Improvement Fund, a portion of which is later assessed back to property owners benefiting from the projects.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. For the year ended June 30, 2017, net position of the Sewer Fund decreased by \$347,465 and net position of the Water Fund decreased by \$448,950. The bulk of this decrease in net position is related to the increase in retirement costs as a result of a one time voluntary contribution to the City's pension plan by the water and sewer funds.

High depreciation expense in the Sewer Fund is due primarily to Gerber Products Company's food processing wastewater irrigation system. The City coordinated a Community Development Block Grant (CDBG) through the State of Michigan in 1996-97 to help replace key components of Gerber's existing food production wastewater treatment system. The City continues to own the system but leases it to Gerber, which is responsible for all operation, maintenance, repair and replacement costs.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Budgetary Highlights

At various times throughout any budget year, budget amendments are needed to reflect changing financial conditions and changes to financial policy. The most significant of this year's budget amendments were:

- The City delayed the Branstrom Park Ice Rink Pavilion again, because the City was unsuccessful in their application for matching grant funds from the MDNR Trust Fund.
- The City rolled the Cedar Street extension project (\$925,000) over into the next fiscal year, with an expected start date of November 2017.
- An amendment to incorporate a transfer of the State permitted 25% of the Major Street's Act 51 funding (\$65,000) to the Local Street Fund was necessary.
- The City transferred all the street projects from the Capital Improvement Fund back to the Major (\$75,000) and Local (\$83,000) Funds, per a recent policy change from the Michigan Dept. of Transportation.
- The City removed Crushed Concrete from the budget (\$70,000) due to a decrease in the amount of recyclable concrete and asphalt being dropped off at the City's recycling site.
- The City delayed implementation of a Town & Country Path extension on North Stone Rd. (\$25,000) until 2018.
- The Water Department's Fremont Street watermain replacement project was finished late summer into the budget year, requiring an additional \$16,000 adjustment for the fiscal year.
- The Water (\$500,000) and Sewer (\$400,000) Department Budgets were amended to reflect a one-time payment towards the employee pension liability with MERS for the fiscal year.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totaled \$23,719,618 (net of accumulated depreciation). Investments in capital assets include land and land improvements, buildings and improvements, infrastructure (including utility systems), furniture and equipment.

The City scaled back from major projects this past year as well as the coming year. The decrease in investment in capital assets is mainly due to depreciation.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,047,417	\$ 3,017,154	\$ 240,698	\$ 240,698	\$ 3,288,115	\$ 3,257,852
Construction in progress	100,642	-	-	-	100,642	-
Land improvements	946,159	1,028,293	-	-	946,159	1,028,293
Buildings and improvements	1,408,882	1,556,460	-	-	1,408,882	1,556,460
Utility systems	-	-	10,179,885	10,525,055	10,179,885	10,525,055
Vehicles and equipment	708,357	836,687	107,923	23,009	816,280	859,696
Infrastructure	6,979,655	7,696,555	-	-	6,979,655	7,696,555
Total capital assets, net	\$13,191,112	\$14,135,149	\$10,528,506	\$10,788,762	\$23,719,618	\$24,923,911

Additional capital asset information can be found in the footnotes to the financial statements.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Long-Term Debt. As of June 30, 2017, the City had outstanding long-term liabilities of \$1,096,194 consisting of a capital improvement bond and compensated absences. Long-term liabilities decreased by \$71,582 due to regularly scheduled principal payments.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Capital improvement bonds	\$ 700,000	\$ 825,000	\$ -	\$ -	\$ 700,000	\$ 825,000
Unamortized discount	(3,994)	(5,255)	-	-	(3,994)	(5,255)
Compensated absences	368,449	318,662	31,739	29,369	400,188	348,031
Total long-term debt	<u>\$ 1,064,455</u>	<u>\$ 1,138,407</u>	<u>\$ 31,739</u>	<u>\$ 29,369</u>	<u>\$ 1,096,194</u>	<u>\$ 1,167,776</u>

Additional long-term debt information can be found in the footnotes to the financial statements.

Economic Factors and Next Year's Budget and Rates

The general operating budget for fiscal year 2017/18 was based on the continuation of the existing 15 mill property tax, which increased from 14 mills in 2015. The City's Charter permits a maximum tax levy of 20 mills for general operating purposes, but the City has been able to keep its levy at this relatively low level for more than twenty years. If needed, an additional five (5) mills (less a small Headlee millage rollback) could generate an additional \$600,000 in tax revenues for general operating purposes.

Property tax revenue increases are greatly influenced by the 1994 Amendment to the State Constitution commonly referred to as "Proposal A." The statewide tax reform amendment limits the growth in "taxable value" on any individual property to the lesser of inflation or five percent (5%). Because some properties may increase in value by less than inflation, the mathematical result of this is that the total taxable value may grow at a rate less than inflation. Property taxes are based on this artificially capped "taxable value" until such time as the property is sold. Then, the taxable value is uncapped and increases to match the "assessed value," which by law must represent 50% of the estimated "true cash value" of the property. Thus, taxing units will continue to capture taxes on a less than value rate until such time all properties sell or legislation is changed.

The City has responded to the economic downturn and pressure on revenues by trying to keep program expenses constant and increasing only a few user fees at inflationary measures, so the budget reflects some reductions in both revenues and expenditures in several departments.

The General Fund budget for fiscal year 2017/18 reduced by less than a 1/2 % (\$4,164), which includes plans to decrease the General Fund fund balance by \$119,091 to offset a \$95,000 transfer to the Capital Projects Fund to meet the 5% match requirement for a \$1.9 million grant for airport runway rehabilitation.

For the City's street system, the City has budgeted to expend accumulated resources of \$180,000 to match requested EDA grant funds of \$650,000, and request an MDOT capital improvement loan up to \$750,000 for the Cedar Street Extension project. This project will complete the City's planned alternate truck route leading to the Industrial Park.

The City also plans to resurface all the streets in the Industrial Park (\$225,000), with help in funding from an MDOT Rural Development grant of \$150,000.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

The City is planning to close and remove three blocks of Local Streets to incorporate the "Darling Walkway" project that will entail installation of a decorative winding sidewalk with art nodes, benching and landscaping along the way. Removal of two small parking lots will transform to one new parking lot at the south end of the project. The Public Art Committee and City staff have initiated a fund raising campaign with hopes to constructing a large sculpture at the center of the project.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, residents, voters, customers and investors with a general overview of the City's finances as well as to depict the City's accountability for the money it receives and spends. If you have questions about this report or need additional information, please contact City Manager/Finance Director Todd Blake at the City of Fremont, 101 E. Main Street, Fremont, MI 49412 or by phone at 231-924-2101 or by email at tblake@cityoffremont.net.

BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, MICHIGAN

Statement of Net Position June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 2,591,221	\$ 1,692,368	\$ 4,283,589	\$ 128,897
Receivables	384,195	400,118	784,313	60,716
Capital assets not being depreciated	3,148,059	240,698	3,388,757	-
Capital assets being depreciated, net	10,043,053	10,287,808	20,330,861	-
Total assets	16,166,528	12,620,992	28,787,520	189,613
Deferred outflows of resources				
Deferred pension amounts	745,270	215,128	960,398	-
Liabilities				
Accounts payable and accrued liabilities	197,176	24,220	221,396	8,073
Unearned revenue	108,262	-	108,262	-
Long-term debt:				
Due within one year	198,840	31,739	230,579	-
Due in more than one year	865,615	-	865,615	-
Net pension liability	4,187,326	1,208,713	5,396,039	-
Net other postemployment benefits obligation	123,645	-	123,645	-
Total liabilities	5,680,864	1,264,672	6,945,536	8,073
Net position				
Net investment in capital assets	12,495,106	10,528,506	23,023,612	-
Restricted for:				
Streets and highways	743,797	-	743,797	-
Debt service	3,221	-	3,221	-
Perpetual care (non-expendable)	306,936	-	306,936	-
Unrestricted (deficit)	(2,318,126)	1,042,942	(1,275,184)	181,540
Total net position	\$ 11,230,934	\$ 11,571,448	\$ 22,802,382	\$ 181,540

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

CITY OF FREMONT, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 806,474	\$ 123,571	\$ 8,856	\$ -	\$ (674,047)
Public safety	1,695,680	198,851	40,846	-	(1,455,983)
Public works	1,259,630	418,958	516,670	218,461	(105,541)
Community and economic development	78,731	188,373	-	-	109,642
Culture and recreation	187,371	-	-	-	(187,371)
Interest on long-term debt	30,539	-	-	-	(30,539)
Total governmental activities	4,058,425	929,753	566,372	218,461	(2,343,839)
Business-type activities:					
Sewer	960,656	608,648	4,543	-	(347,465)
Water	1,162,141	703,906	6,285	3,000	(448,950)
Total business-type activities	2,122,797	1,312,554	10,828	3,000	(796,415)
Total primary government	\$ 6,181,222	\$ 2,242,307	\$ 577,200	\$ 221,461	\$ (3,140,254)
Component units					
Downtown Development Authority	\$ 293,681	\$ 17,508	\$ 14,000	\$ -	\$ (262,173)
Local Development Finance Authority	23,232	-	-	-	(23,232)
Fremont Community Joint Planning Commission	5,889	-	-	-	(5,889)
Total component units	\$ 322,802	\$ 17,508	\$ 14,000	\$ -	\$ (291,294)

continued...

CITY OF FREMONT, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (2,343,839)	\$ (796,415)	\$ (3,140,254)	\$ (291,294)
General revenues:				
Property taxes	1,780,420	-	1,780,420	313,341
Licenses and permits	50,611	-	50,611	-
Grants and contributions not restricted to specific programs	549,524	-	549,524	-
Gain on sale of capital assets	15,156	-	15,156	-
Unrestricted interest earnings	6,953	-	6,953	1,530
Miscellaneous	4,389	-	4,389	-
Total general revenues and transfers	2,407,053	-	2,407,053	314,871
Change in net position	63,214	(796,415)	(733,201)	23,577
Net position, beginning of year	11,167,720	12,367,863	23,535,583	157,963
Net position, end of year	\$ 11,230,934	\$ 11,571,448	\$ 22,802,382	\$ 181,540

concluded

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

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CITY OF FREMONT, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2017

	General Fund	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 716,546	\$ 464,416	\$ 815,563	\$ 1,996,525
Receivables:				
Accounts	109,030	-	-	109,030
Special assessments	-	-	58,642	58,642
Due from other governments	64,700	68,764	83,059	216,523
Total assets	\$ 890,276	\$ 533,180	\$ 957,264	\$ 2,380,720
Liabilities				
Accounts payable	\$ 44,184	\$ 16,996	\$ 407	\$ 61,587
Accrued liabilities	46,727	649	649	48,025
Due to other governments	80,985	-	-	80,985
Unearned revenue	31,262	-	77,000	108,262
Total liabilities	203,158	17,645	78,056	298,859
Deferred inflows of resources				
Unavailable revenue - special assessments receivable	-	-	58,642	58,642
Fund balances				
Nonspendable	-	-	306,936	306,936
Restricted	-	515,535	235,998	751,533
Committed	-	-	277,632	277,632
Assigned	119,091	-	-	119,091
Unassigned	568,027	-	-	568,027
Total fund balances	687,118	515,535	820,566	2,023,219
Total liabilities, deferred inflows of resources and fund balances	\$ 890,276	\$ 533,180	\$ 957,264	\$ 2,380,720

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

CITY OF FREMONT, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2017

Fund balances - total governmental funds	\$ 2,023,219
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	3,148,059
Capital assets being depreciated, net	10,043,053
Less: capital assets being accounted for in internal service funds	(965,986)
Special assessment revenue is not recognized until it is receivable in the current period and, therefore, is shown as deferred inflows of resources in the governmental funds.	
	58,642
Internal service funds are used by management to charge the costs of certain activities, such as equipment usage and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities.	
Net position in the internal service fund	1,558,618
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable and unamortized discount	(696,006)
Compensated absences payable	(368,449)
Accrued interest on bonds payable	(4,515)
Net other postemployment benefits obligation	(123,645)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(4,187,326)
Deferred outflows related to the net pension liability	745,270
Net position of governmental activities	<u>\$ 11,230,934</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2017

	General Fund	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,780,420	\$ -	\$ -	\$ 1,780,420
Special assessments	-	-	38,517	38,517
Licenses and permits	50,611	-	-	50,611
Intergovernmental:				
State	580,469	376,755	133,666	1,090,890
Local	5,000	-	154,779	159,779
Charges for services	833,446	77,880	7,450	918,776
Fines and forfeitures	12,387	-	-	12,387
Investment earnings	6,953	1,382	6,196	14,531
Other	55,900	-	-	55,900
Total revenues	3,325,186	456,017	340,608	4,121,811
Expenditures				
Current:				
General government	614,705	-	-	614,705
Public safety	1,234,130	-	-	1,234,130
Public works	632,028	240,419	131,548	1,003,995
Community and economic development	39,890	-	17,508	57,398
Culture and recreation	136,330	-	-	136,330
Other governmental functions	467,159	-	-	467,159
Debt service:				
Principal	-	-	125,000	125,000
Interest and fees	-	-	30,084	30,084
Capital outlay	-	-	25,001	25,001
Total expenditures	3,124,242	240,419	329,141	3,693,802
Revenues over (under) expenditures	200,944	215,598	11,467	428,009
Other financing sources (uses)				
Transfers in	18,314	-	97,572	115,886
Transfers out	(15,062)	(82,510)	(18,314)	(115,886)
Total other financing sources (uses)	3,252	(82,510)	79,258	-
Net change in fund balances	204,196	133,088	90,725	428,009
Fund balances, beginning of year	482,922	382,447	729,841	1,595,210
Fund balances, end of year	\$ 687,118	\$ 515,535	\$ 820,566	\$ 2,023,219

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

CITY OF FREMONT, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
 To Change in Net Position of Governmental Activities
 For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ 428,009

Amounts reported for *governmental activities* in the statement of activities
 are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the
 statement of activities, the cost of those assets is allocated over their estimated
 useful lives and reported as depreciation expense.

Purchase/construction of capital assets	165,435
Depreciation expense	(1,167,073)
Less: depreciation expense being accounted for in internal service funds	178,129

Internal service funds are used by management to charge the costs of certain
 services to individual governmental funds. The net revenue (expense) of those
 funds is reported with governmental activities.

Operating loss from internal service funds	(9,555)
Interest income from governmental activities internal service funds	2,527
Gain on sale of capital assets from governmental activities internal service funds	15,156

Governmental funds recognize special assessments as revenue as they become current;
 however, they are recognized in full when levied in the statement of activities. (17,855)

Bond proceeds provide current financial resources to governmental funds in the period
 issued, but issuing bonds increases long-term debt in the statement of net position.
 Repayment of bond principal is an expenditure in the governmental funds, but the
 repayment reduces long-term debt in the statement of net position.

Principal payments on long-term debt	125,000
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Some expenses reported in the statement of activities do not require the use of current
 financial resources and therefore are not reported as expenditures in the funds.

Change in the net pension liability and related deferred amounts	400,804
Net other postemployment benefits obligation	(7,121)
Change in compensated absences	(49,787)
Amortization of bond discount	(1,261)
Change in accrued interest payable	806

Change in net position of governmental activities \$ 63,214

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,815,467	\$ 1,722,119	\$ 1,780,420	\$ 58,301
Licenses and permits	52,000	52,000	50,611	(1,389)
Intergovernmental:				
State	416,600	539,948	580,469	40,521
Local	5,000	5,000	5,000	-
Charges for services	806,420	815,420	833,446	18,026
Fines and forfeitures	15,000	15,000	12,387	(2,613)
Investment earnings	20,000	20,000	6,953	(13,047)
Other	50,500	50,500	55,900	5,400
Total revenues	3,180,987	3,219,987	3,325,186	105,199
Expenditures				
Current:				
General government:				
Legislative	11,890	11,890	10,219	(1,671)
Executive	85,190	85,190	85,077	(113)
Elections	9,045	9,045	7,221	(1,824)
General administration	50,000	50,000	42,238	(7,762)
Clerk	73,975	73,975	73,096	(879)
Treasurer	56,175	56,175	55,122	(1,053)
Assessor	57,545	57,545	54,387	(3,158)
Cemetery	125,916	134,916	142,533	7,617
Attorney	19,000	20,500	20,226	(274)
Building and grounds	97,051	97,051	92,472	(4,579)
Public relations	36,931	36,931	32,114	(4,817)
Total general government	622,718	633,218	614,705	(18,513)
Public safety:				
Police department	944,210	944,210	955,039	10,829
Fire department	279,145	279,145	279,091	(54)
Total public safety	1,223,355	1,223,355	1,234,130	10,775
Public works:				
Department of public works	413,537	413,537	339,164	(74,373)
Refuse and recycling	238,196	244,196	248,479	4,283
Yard waste	39,178	47,178	44,385	(2,793)
Total public works	690,911	704,911	632,028	(72,883)

continued...

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - General Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (continued):				
Community and economic development:				
Planning and zoning	\$ 26,085	\$ 26,085	\$ 22,284	\$ (3,801)
Community development	18,358	18,358	17,606	(752)
Total community and economic development	<u>44,443</u>	<u>44,443</u>	<u>39,890</u>	<u>(4,553)</u>
Culture and recreation:				
Parks and recreation	<u>151,260</u>	<u>151,260</u>	<u>136,330</u>	<u>(14,930)</u>
Other governmental functions:				
Employee fringe benefits and other items	462,853	422,853	359,736	(63,117)
Airport operations	103,011	112,011	105,641	(6,370)
Tax tribunal refunds	5,000	5,000	1,782	(3,218)
Total other governmental functions	<u>570,864</u>	<u>539,864</u>	<u>467,159</u>	<u>(72,705)</u>
Total expenditures	<u>3,303,551</u>	<u>3,297,051</u>	<u>3,124,242</u>	<u>(172,809)</u>
Revenues over (under) expenditures	<u>(122,564)</u>	<u>(77,064)</u>	<u>200,944</u>	<u>278,008</u>
Other financing sources (uses)				
Transfers in	20,000	20,000	18,314	(1,686)
Transfers out	<u>(25,000)</u>	<u>-</u>	<u>(15,062)</u>	<u>15,062</u>
Total other financing sources (uses)	<u>(5,000)</u>	<u>20,000</u>	<u>3,252</u>	<u>(16,748)</u>
Net change in fund balance	(127,564)	(57,064)	204,196	261,260
Fund balance, beginning of year	<u>482,922</u>	<u>482,922</u>	<u>482,922</u>	<u>-</u>
Fund balance, end of year	<u>\$ 355,358</u>	<u>\$ 425,858</u>	<u>\$ 687,118</u>	<u>\$ 261,260</u>

concluded

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Major Streets Special Revenue Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 320,000	\$ 320,000	\$ 376,755	\$ 56,755
Charges for services	90,000	20,000	77,880	57,880
Investment earnings	300	300	1,382	1,082
Total revenues	<u>410,300</u>	<u>340,300</u>	<u>456,017</u>	<u>115,717</u>
Expenditures				
Current:				
Public works:				
Construction	70,000	107,000	120,990	13,990
Routine maintenance	62,336	62,336	66,083	3,747
Traffic services	11,691	11,691	9,186	(2,505)
Snow & ice control	30,112	30,112	15,304	(14,808)
Trunkline maintenance	60,002	60,002	28,856	(31,146)
Total expenditures	<u>234,141</u>	<u>271,141</u>	<u>240,419</u>	<u>(30,722)</u>
Revenues over expenditures	<u>176,159</u>	<u>69,159</u>	<u>215,598</u>	<u>146,439</u>
Other financing sources (uses)				
Proceeds from issuance of bonds	250,000	-	-	-
Transfers out	(565,000)	(65,000)	(82,510)	17,510
Total other financing sources (uses)	<u>(315,000)</u>	<u>(65,000)</u>	<u>(82,510)</u>	<u>17,510</u>
Net change in fund balance	<u>(138,841)</u>	<u>4,159</u>	<u>133,088</u>	<u>128,929</u>
Fund balance, beginning of year	<u>382,447</u>	<u>382,447</u>	<u>382,447</u>	<u>-</u>
Fund balance, end of year	<u>\$ 243,606</u>	<u>\$ 386,606</u>	<u>\$ 515,535</u>	<u>\$ 128,929</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Assets				
Current assets:				
Cash and investments	\$ 619,565	\$ 1,072,803	\$ 1,692,368	\$ 594,696
Accounts receivable	201,912	198,206	400,118	-
Total current assets	<u>821,477</u>	<u>1,271,009</u>	<u>2,092,486</u>	<u>594,696</u>
Noncurrent assets:				
Capital assets, net				
Land	228,972	11,726	240,698	-
Buildings	-	-	-	632,455
Utility systems	10,724,659	8,331,722	19,056,381	-
Equipment	220,889	79,886	300,775	3,194,618
Accumulated depreciation	(6,223,845)	(2,845,503)	(9,069,348)	(2,861,087)
Total noncurrent assets	<u>4,950,675</u>	<u>5,577,831</u>	<u>10,528,506</u>	<u>965,986</u>
Total assets	<u>5,772,152</u>	<u>6,848,840</u>	<u>12,620,992</u>	<u>1,560,682</u>
Deferred outflows of resources				
Deferred pension amounts	<u>102,763</u>	<u>112,365</u>	<u>215,128</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	4,086	5,782	9,868	692
Accrued liabilities	6,604	7,748	14,352	1,372
Current portion of long-term debt	7,077	24,662	31,739	-
Total current liabilities	<u>17,767</u>	<u>38,192</u>	<u>55,959</u>	<u>2,064</u>
Noncurrent liabilities:				
Net pension liability	<u>577,376</u>	<u>631,337</u>	<u>1,208,713</u>	<u>-</u>
Total liabilities	<u>595,143</u>	<u>669,529</u>	<u>1,264,672</u>	<u>2,064</u>
Net position				
Investment in capital assets	4,950,675	5,577,831	10,528,506	965,986
Unrestricted	329,097	713,845	1,042,942	592,632
Total net position	<u>\$ 5,279,772</u>	<u>\$ 6,291,676</u>	<u>11,571,448</u>	<u>\$ 1,558,618</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Revenues				
Charges for services	\$ 608,648	\$ 703,906	\$ 1,312,554	\$ 358,807
Operating expenses				
Administration	485,142	594,080	1,079,222	55,730
Operations	281,202	407,117	688,319	134,503
Depreciation	194,312	160,944	355,256	178,129
Total operating expenses	960,656	1,162,141	2,122,797	368,362
Operating loss	(352,008)	(458,235)	(810,243)	(9,555)
Nonoperating revenues				
Investment income	4,543	6,285	10,828	2,527
Connection fees	-	3,000	3,000	-
Gain on sale of capital assets	-	-	-	15,156
Total nonoperating revenues	4,543	9,285	13,828	17,683
Change in net position	(347,465)	(448,950)	(796,415)	8,128
Net position, beginning of year	5,627,237	6,740,626	12,367,863	1,550,490
Net position, end of year	\$ 5,279,772	\$ 6,291,676	\$ 11,571,448	\$ 1,558,618

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

CITY OF FREMONT, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 559,175	\$ 720,791	\$ 1,279,966	\$ -
Receipts from interfund services provided	-	-	-	358,807
Payments to and refunds received from suppliers	(223,275)	(269,707)	(492,982)	(137,695)
Payments to or on behalf of employees	(714,376)	(843,656)	(1,558,032)	(55,833)
Payments for interfund services used	(25,044)	(21,649)	(46,693)	-
Net cash provided by (used in) operating activities	(403,520)	(414,221)	(817,741)	165,279
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	-	-	18,753
Connection fees	-	3,000	3,000	-
Purchase of capital assets	(95,000)	-	(95,000)	(61,198)
Net cash provided by (used in) capital and related financing activities	(95,000)	3,000	(92,000)	(42,445)
Cash flows from investing activities				
Interest received	4,543	6,285	10,828	2,527
Net increase (decrease) in cash and investments	(493,977)	(404,936)	(898,913)	125,361
Cash and investments, beginning of year	1,113,542	1,477,739	2,591,281	469,335
Cash and investments, end of year	\$ 619,565	\$ 1,072,803	\$ 1,692,368	\$ 594,696
Cash flows from operating activities				
Operating loss	\$ (352,008)	\$ (458,235)	\$ (810,243)	\$ (9,555)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation	194,312	160,944	355,256	178,129
Changes in assets, deferred outflows of resources, and liabilities that provided (used) cash:				
Accounts receivable	(49,473)	16,885	(32,588)	-
Accounts payable	(141,104)	(78,403)	(219,507)	(3,192)
Accrued liabilities	929	1,737	2,666	(103)
Compensated absences	(910)	3,280	2,370	-
Net pension liability and related deferred amounts	(55,266)	(60,429)	(115,695)	-
Net cash provided by (used in) operating activities	\$ (403,520)	\$ (414,221)	\$ (817,741)	\$ 165,279

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

CITY OF FREMONT, MICHIGAN

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2017

	Agency Funds	Other Post- Employment Benefits Trust
Assets		
Funds on deposit with MERS	\$ -	\$ 23,551
Receivables	18,365	-
Due from other governmental units	10,262	-
	<u>28,627</u>	<u>23,551</u>
Total assets	<u>\$ 28,627</u>	<u>23,551</u>
Liabilities		
Negative equity in pooled cash	\$ 27,036	-
Accounts payable	1,591	-
	<u>28,627</u>	<u>-</u>
Total liabilities	<u>\$ 28,627</u>	<u>-</u>
Net position		
Restricted for OPEB		<u>\$ 23,551</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Year Ended June 30, 2017

	Other Post- Employment Benefits Trust
Additions	
Employer contributions	\$ 11,596
Investment earnings	966
	<hr/>
Total additions	12,562
	<hr/>
Deductions	
Benefit payments	1,596
Administrative expenses	33
	<hr/>
Total deductions	1,629
	<hr/>
Change in net position	10,933
	<hr/>
Net position, beginning of year	12,618
	<hr/>
Net position, end of year	\$ 23,551
	<hr/> <hr/>

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

CITY OF FREMONT, MICHIGAN

Combining Statement of Net Position Discretely Presented Component Units June 30, 2017

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Assets				
Cash and investments	\$ 98,528	\$ 10,703	\$ 19,666	\$ 128,897
Receivables	60,716	-	-	60,716
Total assets	159,244	10,703	19,666	189,613
Liabilities				
Accounts payable and accrued liabilities	7,699	-	374	8,073
Net position				
Unrestricted	\$ 151,545	\$ 10,703	\$ 19,292	\$ 181,540

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

CITY OF FREMONT, MICHIGAN

Combining Statement of Activities Discretely Presented Component Units For the Year Ended June 30, 2017

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Expenses				
Downtown Development Authority	\$ 293,681	\$ -	\$ -	\$ 293,681
Local Development Finance Authority	-	23,232	-	23,232
Fremont Community Joint Planning Commission	-	-	5,889	5,889
Total expenses	293,681	23,232	5,889	322,802
Program revenues				
Charges for services	17,508	-	-	17,508
Operating grants and contributions	14,000	-	-	14,000
Total program revenues	31,508	-	-	31,508
Net expense	(262,173)	(23,232)	(5,889)	(291,294)
General revenues				
Property taxes	290,109	23,232	-	313,341
Unrestricted investment earnings	1,393	5	132	1,530
Total general revenues	291,502	23,237	132	314,871
Change in net position	29,329	5	(5,757)	23,577
Net position, beginning of year	122,216	10,698	25,049	157,963
Net position, end of year	\$ 151,545	\$ 10,703	\$ 19,292	\$ 181,540

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fremont, Michigan (the "City") was incorporated in 1972, under provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services: Public safety (police and fire), streets, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

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

Blended Component Unit

Building Authority - The Building Authority is governed by a board appointed by the City Council. For financial reporting purposes, the Building Authority is reported as if it were a part of the City's operations because its sole purpose is to finance and construct the City's public buildings. Currently, there is no outstanding Building Authority indebtedness.

Discretely Presented Component Units

Downtown Development Authority (DDA) - The DDA's sole purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the DDA district. Board members of the DDA are appointed by the City, and the DDA is fiscally dependent on the City as the Council approves the DDA budget and must approve any debt issuance.

Local Development Finance Authority (LDFA) - The LDFA's sole purpose is the collection of tax increment revenues, the issuance and repayment of debt and construction of public facilities in the LDFA district to promote and facilitate economic growth in the City. Board members of the LDFA are appointed by the City, and the LDFA is fiscally dependent on the City as the Council approves the LDFA budget and must approve any debt issuance.

Fremont Community Joint Planning Commission (the Commission) - The Commission is comprised of the City, Dayton Township, and Sheridan Charter Township. The Commission's purpose is to enable its members to cooperate on planning and zoning issues. Board members of the Commission are appointed by each of its members with the City appointing five of the thirteen total board members. All three members must approve the Commission's budget and any debt issuance. The funds and financial statements of the Commission are managed by the City.

Complete financial statements for the component units are not separately prepared.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Joint Venture

Fremont Community Recreational Authority (Recreational Authority) - The City entered into an agreement with three local townships to form a recreational authority for the purpose of the acquisition, construction, operation, maintenance, or improvement of public recreation centers, public parks, and recreation facilities. During the year ended June 30, 2016, the City made a \$60,000 operating loan to the Recreational Authority. The balance of that loan as of June 30, 2017, was \$50,000.

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 legally separate *component units* for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when the 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. After March 1 of each year, the County pays the City, and is responsible for collecting, any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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, or within one year for expenditure based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue, charges for services 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 revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *Major Streets fund* accounts for funds specifically intended for the maintenance and construction of major streets. Financing is provided from Public Act 51 State Shared Gas and Weight Tax and miscellaneous service revenues.

The City reports the following major enterprise funds:

The *Sewer fund* is used to account for the operation, maintenance and capital improvement of the wastewater system.

The *Water fund* is used to account for the operation, maintenance and capital improvement of the water system.

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.

The *Debt Service fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *Capital Projects Fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Permanent fund* is used to record the activity and balance of the Cemetery Trust which provides funds for perpetual care of cemetery lots.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Internal Service funds are used to account for financing of goods or services provided by the City to other departments or funds to other governmental units on a cost reimbursement basis.

Agency funds are used to account for assets held on behalf of outside parties, including other governments.

The *Other Postemployment Benefits Trust Fund* accounts for the accumulated resources for other postemployment benefit payments to qualified retirees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are adopted for general and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the third Monday of May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Not later than the second regular meeting in June, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

5. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2017. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621.
6. The legal level of budgetary control is at the department level.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

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

Cash and Investments

For purposes of the statement of cash flows, the City considers all assets held in highly liquid investments with an original maturity of three months or less to be cash and investments. Investments are stated at fair value.

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 receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances at year-end are considered by management to be immaterial.

Special Assessments

Special assessments are recorded as revenue when due, not when levied. Estimated annual installments not yet available are reflected as deferred inflows of resources. Special assessments are billed annually.

Due from Other Governments

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

Prepaid Items

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) of the primary government is computed using the straight-line method over the following estimated useful lives:

	Years
Land improvements	20
Buildings and improvements	10-50
Infrastructure	20
Utility systems	40-67
Vehicles and equipment	3-30

Deferred Outflows of Resources

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

Compensated Absences

The City's policy allows employees to earn and accumulate sick and vacation pay benefits. Accrued compensated absences are reported in the proprietary and governmental fund types to the extent that they will be liquidated with expendable available financial resources, and the long-term balance payable from governmental funds is recorded on the statement of net position.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Pensions

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

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arises only under a modified accrual basis of accounting, from special assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before August 10, and winter taxes are levied on December 1 and are due without penalty on or before February 14. The City bills and collects its own property taxes for general governmental services, road, and debt retirement. Additionally, the City collects taxes for Newaygo County and various school districts and authorities. Collections of property taxes and remittances to the appropriate authorities are accounted for in the Trust & Agency fund.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Fund Equity

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

The City Council has adopted a minimum fund balance policy in which the total fund balance of the General Fund will be equal to at least 15 percent of the previous year's budgeted expenditures and transfers out. If the General Fund balance falls below the minimum range, the City will replenish shortages or deficiencies using budget strategies and timeframes as detailed in the policy.

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

Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the City.

Use of Estimates

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2017, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund:			
General government:			
Cemetery	\$ 134,916	\$ 142,533	\$ 7,617
Public safety:			
Police department	944,210	955,039	10,829
Public works:			
Refuse and recycling	244,196	248,479	4,283
Transfers out	-	15,062	15,062
Major Streets:			
Public works:			
Construction	107,000	120,990	13,990
Routine maintenance	62,336	66,083	3,747
Other financing uses:			
Transfers out	65,000	82,510	17,510

3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2017:

	Primary Government	Component Units	Agency Funds	Fiduciary Funds	Total
Cash and investments	\$ 4,283,589	\$ 128,897	\$ -	\$ -	\$ 4,412,486
Negative equity in pooled cash	-	-	(27,036)	-	(27,036)
Funds on deposit with MERS	-	-	-	23,551	23,551
	<u>\$ 4,283,589</u>	<u>\$ 128,897</u>	<u>\$ (27,036)</u>	<u>\$ 23,551</u>	<u>\$ 4,409,001</u>

The City's deposits are in several financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. Investments are recorded in City records at fair value. Interest is recorded when earned.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Cash and investments are composed of the following at June 30, 2017:

Checking/savings accounts	\$ 1,878,724
Certificates of deposit:	
Due within one year	934,544
Due in one to five years	572,109
Investments	999,124
Funds on deposit with MERS	23,551
Petty cash	949
	<hr/>
Total cash and investments	<u>\$ 4,409,001</u>

Statutory Authority

State statutes authorize the City to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. 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.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. 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.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

The City chooses to disclose its investments by specifically identifying each. As of June 30, 2017, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 799,124	AAAm (S&P)
Federal Home Loan Bank	6/15/2020	<u>200,000</u>	AA+ (S&P)
Total investments		<u>\$ 999,124</u>	

The City voluntarily invests certain excess funds in an external investment pool. The pool is an external investment pool of "qualified" investments for Michigan municipalities. The pool is not regulated nor registered with the SEC. The fair value of the City's investments is the same as the value of the pool.

In addition, the City has funds on deposit with the Municipal Employee Retirement System of Michigan (MERS) for its Other Postemployment Benefit Trust fund. Such funds are included in the pooled investments of MERS, and specific identification of investments by type is not practical.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified under "statutory authority" above. The City's investment policy requires investments to be diversified by specific maturity dates and by individual financial institutions of a specific class of securities as a means of managing its exposure to fair value losses arising from increasing interest rates and in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The maturity date for each investment is identified above for investments held at year end.

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 under "statutory authority" above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. The City minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City's investment policy. As of year-end, \$2,324,716 of the City's bank balance of \$3,539,530 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agency but not in the government's name. In accordance with the City's investment policy, all investments are held in the name of the City and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified under “statutory authority” above. The City’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

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 assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2017, all of the City’s investments are classified as level 2.

4. RECEIVABLES

At June 30, 2017, the City’s receivables consisted of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 109,030	\$ 400,118	\$ 14,000
Special assessments	58,642	-	-
Due from other governments	216,523	-	-
Notes	-	-	46,716
Total	\$ 384,195	\$ 400,118	\$ 60,716

Of the amounts reported above, \$30,977 of special assessments receivable and \$40,000 of due from other governments reported in governmental activities and \$32,159 of notes receivable reported in the Downtown Development Authority component unit are not expected to be collected within one year.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At June 30, 2017, the City’s accounts payable and accrued liabilities were as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 62,279	\$ 9,868	\$ 3,906
Accrued liabilities	49,397	14,352	4,167
Due to other governments	80,985	-	-
Accrued interest payable	4,515	-	-
Total	\$ 197,176	\$ 24,220	\$ 8,073

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 3,017,154	\$ 30,263	\$ -	\$ -	\$ 3,047,417
Construction in progress	-	100,642	-	-	100,642
	<u>3,017,154</u>	<u>130,905</u>	<u>-</u>	<u>-</u>	<u>3,148,059</u>
Capital assets, being depreciated:					
Land improvements	1,739,143	-	-	-	1,739,143
Buildings and improvements	4,753,498	-	-	-	4,753,498
Vehicles and equipment	4,163,472	61,198	(98,361)	-	4,126,309
Infrastructure	18,832,397	34,530	-	-	18,866,927
	<u>29,488,510</u>	<u>95,728</u>	<u>(98,361)</u>	<u>-</u>	<u>29,485,877</u>
Less accumulated depreciation for:					
Land improvements	(710,850)	(82,134)	-	-	(792,984)
Buildings and improvements	(3,197,038)	(147,578)	-	-	(3,344,616)
Vehicles and equipment	(3,326,785)	(185,931)	94,764	-	(3,417,952)
Infrastructure	(11,135,842)	(751,430)	-	-	(11,887,272)
	<u>(18,370,515)</u>	<u>(1,167,073)</u>	<u>94,764</u>	<u>-</u>	<u>(19,442,824)</u>
Total capital assets being depreciated, net	<u>11,117,995</u>	<u>(1,071,345)</u>	<u>(3,597)</u>	<u>-</u>	<u>10,043,053</u>
Governmental activities capital assets, net	<u>\$ 14,135,149</u>	<u>\$ (940,440)</u>	<u>\$ (3,597)</u>	<u>\$ -</u>	<u>\$ 13,191,112</u>

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

Governmental activities	
General government	\$ 186,185
Public safety	407,831
Public works	330,908
Community and economic development	18,968
Culture and recreation	45,052
Depreciation charged to Internal Service Funds	<u>178,129</u>
	<u>\$ 1,167,073</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 240,698	\$ -	\$ -	\$ -	\$ 240,698
Capital assets, being depreciated:					
Utility systems	19,077,881	-	-	-	19,077,881
Equipment	184,275	95,000	-	-	279,275
	<u>19,262,156</u>	<u>95,000</u>	<u>-</u>	<u>-</u>	<u>19,357,156</u>
Less accumulated depreciation for:					
Utility systems	(8,552,826)	(345,170)	-	-	(8,897,996)
Equipment	(161,266)	(10,086)	-	-	(171,352)
	<u>(8,714,092)</u>	<u>(355,256)</u>	<u>-</u>	<u>-</u>	<u>(9,069,348)</u>
Total capital assets being depreciated, net	<u>10,548,064</u>	<u>(260,256)</u>	<u>-</u>	<u>-</u>	<u>10,287,808</u>
Business-type activities capital assets, net	<u>\$ 10,788,762</u>	<u>\$ (260,256)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,528,506</u>

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

Business-type activities	
Sewer	\$ 194,312
Water	160,944
	<u>\$ 355,256</u>

As of year-end, the City had outstanding construction and other capital asset purchase commitments totaling approximately \$178,000.

During June 2017, the City ordered a Vactor Truck at a purchase price of \$374,410 on a capital lease that will be due in three annual installments of \$127,775, including interest at 2.4%. No payments were made related to this lease during the year ended June 30, 2017 and the truck is not expected to be delivered until October of 2017.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

7. LONG-TERM DEBT

The following is a summary of the debt transactions for the City during the year ended June 30, 2017:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
2006 Capital Improvement Bonds due in annual installments of \$100,000 to \$150,000 including interest at 3.87% through November 2021	\$ 825,000	\$ -	\$ (125,000)	\$ 700,000	\$ 125,000
Unamortized discount	(5,255)	-	1,261	(3,994)	(1,160)
Compensated absences	318,662	124,784	(74,997)	368,449	75,000
Total governmental activities	\$ 1,138,407	\$ 124,784	\$ (198,736)	\$ 1,064,455	\$ 198,840
Business-type activities					
Compensated absences	\$ 29,369	\$ 10,694	\$ (8,324)	\$ 31,739	\$ 31,739

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 125,000	\$ 24,671
2019	125,000	19,834
2020	150,000	14,513
2021	150,000	8,708
2022	150,000	2,903
	<u>\$ 700,000</u>	<u>\$ 70,629</u>

The City was in compliance in all material respects with all bond indentures at June 30, 2017.

For the governmental activities, compensated absences are generally liquidated by the general fund.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund transfers as of June 30, 2017 is as follows:

Transfers out	Transfers In		
	General Fund	Nonmajor Governmental Funds	Total
General fund	\$ -	\$ 15,062	\$ 15,062
Major streets fund	-	82,510	82,510
Nonmajor governmental funds	18,314	-	18,314
	<u>\$ 18,314</u>	<u>\$ 97,572</u>	<u>\$ 115,886</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them, and (3) to move amounts from the funds used to purchase capital assets to the funds utilizing such assets.

9. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Permanent corpus	\$ -	\$ -	\$ 306,936	\$ 306,936
Restricted:				
Highways and streets	-	515,535	228,262	743,797
Debt service	-	-	7,736	7,736
Total restricted	-	515,535	235,998	751,533
Committed:				
Capital projects	-	-	277,632	277,632
Assigned:				
Subsequent year's budget	119,091	-	-	119,091
Unassigned	568,027	-	-	568,027
Total fund balances, governmental funds	<u>\$ 687,118</u>	<u>\$ 515,535</u>	<u>\$ 820,566</u>	<u>\$ 2,023,219</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

10. CONTINGENT LIABILITIES

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

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.

11. LEASES

The City received \$33,269 from noncancelable operating leases for land use and hanger rental during the year ended June 30, 2017, which has been recorded as rental income. The future minimum rental income for these leases is as follows for the years ending June 30:

Year Ended June 30,	Amount
2018	\$ 35,526
2019	35,816
2020	22,256
2021	21,266
2022	21,266
2023-2027	4,230
2028-2032	4,230
2033-2034	1,692
	<u>\$ 146,282</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages liability and property risk by participating in the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility of small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

The City carries commercial insurance for employee health and accident. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the three past fiscal years.

13. PENSION PLANS

General Information About the Plan

Plan Description. The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City 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.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 or 5 year period) and multipliers at 2.25%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service, or age 55 with 15 years of service, depending on division/bargaining unit.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Employees Covered by Benefit Terms. At December 31, 2016, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>26</u>
 Total membership	 <u><u>60</u></u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. At June 30, 2017, employer contributions ranged from \$8,623 to \$29,258 and 6.90% to 9.86% of annual payroll, depending on division/bargaining unit. In addition, the employer may establish contribution rates to be paid by its covered employees. At June 30, 2017, for those divisions in which employees are contributing, employee contributions ranged from 3.50% to 7.00%, depending on division/bargaining unit.

Net Pension Liability. The City's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation

Although no explicit price inflation assumption is used in the valuation, the long-term annual rate of price inflation implicit in the 3.75% base wage inflation is 2.50%.

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.5%	5.02%	2.89%
Global fixed income	20.0%	2.18%	0.44%
Real assets	12.5%	4.23%	0.51%
Diversifying strategies	<u>10.0%</u>	6.56%	0.66%
	<u><u>100.0%</u></u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>8.00%</u></u>

Discount Rate. The discount rate used to measure the total pension liability is 8.00% for 2016. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Changes in Net Pension Liability

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2015	\$ 12,031,342	\$ 5,805,936	\$ 6,225,406
Changes for the year:			
Service cost	158,884	-	158,884
Interest	941,665	-	941,665
Changes in benefits	(9,030)	-	(9,030)
Differences between expected and actual experience	78,624	-	78,624
Employer contributions	-	1,350,358	(1,350,358)
Employee contributions	-	6,698	(6,698)
Net investment income (loss)	-	652,394	(652,394)
Benefit payments, including refunds of employee contributions	(679,937)	(679,937)	-
Administrative expense	-	(12,907)	12,907
Other changes	(2,967)	-	(2,967)
Net changes	<u>487,239</u>	<u>1,316,606</u>	<u>(829,367)</u>
Balances at December 31, 2016	<u>\$ 12,518,581</u>	<u>\$ 7,122,542</u>	<u>\$ 5,396,039</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
\$ 6,871,901	\$ 5,396,039	\$ 4,149,058

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$857,538. The City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 89,124
Changes in assumptions	366,899
Net difference between projected and actual earnings on pension plan investments	<u>266,727</u>
	722,750
Contributions subsequent to the measurement date	<u>237,648</u>
 Total	 <u>\$ 960,398</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2018. Other amounts reported as deferred outflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 253,821
2019	253,820
2020	231,655
2021	<u>(16,546)</u>
 Total	 <u>\$ 722,750</u>

Payable to the Pension Plan. At June 30, 2017, the City had no amounts payable for contributions to the pension plan required for the year ended June 30, 2017.

457(b) Plan

The City also has a 457(b) plan, whereas employees may elect to participate. The City is not required to contribute to the plan.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Plan Administration. The City administers a single-employer defined benefit healthcare plan (OPEB Plan) that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the City. Effective April 1, 2011, the City adopted the Michigan Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle to fund the obligation. Stand-alone financial statements are not issued for the OPEB Plan.

The MERS Retiree Health Funding Vehicle became operational in the fall of 2004, and was made available to all municipalities in Michigan. Participating municipalities can contribute monies to the Trust as desired and no contribution method is imposed. These funds constitute a health care fund, which enable municipalities to accumulate monies to provide or subsidize health benefits for retirees and beneficiaries as defined by Code Section 213. The Retiree Health Funding Vehicle accounts are invested in the MERS portfolio choices and earnings are tax exempt as a result of the MERS Private Letter Ruling. Plan provisions and requirements are specified in the MERS Health Care Savings Program and Retiree Health Funding Vehicle Plan Document and Trust.

Management of the OPEB Plan is vested with the City Council.

Plan Membership. At June 30, 2017, OPEB Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	1
Inactive plan members entitled to but not yet receiving benefit payments	3
Active plan members	<u>26</u>
Total membership	<u>30</u>

Benefits Provided. The City Council has the authority to establish or amend benefit terms, to determine the types of benefits provided through the OPEB Plan, and to determine the classes of plan members covered. The OPEB Plan provides health insurance to eligible retirees and their spouses until the retiree reaches age 65 through the City's group health insurance plan, which covers both active and retired members.

Contributions. OPEB Plan members are not required to contribute to the OPEB Plan, but retirees are required to pay half of the amount of the monthly insurance premium on a pay-as-you-go basis. The contribution requirements of OPEB Plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you go financing requirements, with an additional amount to prefund benefits as determined annually by the City.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 2017, were as follows:

Total OPEB liability	\$ 115,439
Plan fiduciary net position	<u>23,551</u>
City's net OPEB liability	<u><u>\$ 91,888</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	20.40%

Changes in Net OPEB Liability

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	<u>\$ 107,809</u>	<u>\$ 12,618</u>	<u>\$ 95,191</u>
Changes for the year:			
Service cost	5,177	-	5,177
Interest	4,049	-	4,049
Employer contributions	-	11,596	(11,596)
Net investment income	-	966	(966)
Benefit payments, including refunds of employee contributions	(1,596)	(1,596)	-
Administrative expense	-	(33)	33
Net changes	<u>7,630</u>	<u>10,933</u>	<u>(3,303)</u>
Balances at June 30, 2017	<u><u>\$ 115,439</u></u>	<u><u>\$ 23,551</u></u>	<u><u>\$ 91,888</u></u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation (using the alternative measurement method) as of June 30, 2017, using the following actuarial assumptions (which were determined by management utilizing the best information available), applied to all periods included in the measurement, unless otherwise specified:

Inflation – 2.5%

Salary increases – 2.0%

Investment rate of return – 5.0%, net of OPEB Plan investment expense, including inflation

Healthcare cost trend rates – The expected rate of increase in healthcare insurance premiums was based on projections by the City's management. A rate of 5.0% was used for 2017 and each year following.

Retirement age for active employees – Based on the historical average retirement age for the covered group, active OPEB Plan members were assumed to retire at age 62.

Marital status – Marital status of members at the valuation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the National Vital Statistics Report. The 2012 United States Life Tables for Males and for Females were used.

Turnover – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health insurance premiums – 2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Probability of accepting benefits – Based on the historical participation rate, a probability rate of accepting benefits of 35% was utilized.

Investments

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

Concentrations. At June 30, 2017, the OPEB Plan's investments were fully invested in the MERS Retiree Health Funding Vehicle. Within this account, the OPEB Plan's account balance at June 30, 2017 was comprised of approximately 22%, 24%, 27% and 27% in the short-term income, diversified bond portfolio, established market portfolio, and total market portfolio funds, respectively.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Rate of Return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 7.39 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB Plan investments was determined using a forward looking estimate of capital market returns model for each investment major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment expenses. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Short-term bonds	25.0%	-1.50%	-0.38%
Global bonds	25.0%	0.50%	0.13%
Moderately aggressive balanced	25.0%	4.20%	1.05%
Moderately conservative balanced	25.0%	5.25%	1.31%
	100.0%		
Inflation			2.50%
Risk factor adjustment			0.39%
Investment rate of return			5.00%

Discount Rate. The blended discount rate used to measure the total OPEB liability was 3.64%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be exhausted in the year 2019. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return on OPEB Plan investments until 2019, and discounting with the 20-year AA municipal index bond rate of 3.6% thereafter. This projection is done on a closed group basis, per GASB requirements.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the City, calculated using the discount rate of 3.64%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.64%) or 1% higher (4.64%) than the current rate:

1% Decrease (2.64%)	Current Discount Rate (3.64%)	1% Increase (4.64%)
\$ 102,052	\$ 91,888	\$ 83,310

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 5.0%, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (4.0%) or 1% higher (6.0%) than the current rate:

1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
\$ 83,338	\$ 91,888	\$ 101,806

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the OPEB Plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 19,952
Interest on net OPEB obligation	3,496
Adjustment to annual required contribution	<u>(4,731)</u>
Net OPEB cost	18,717
Contributions made	<u>11,596</u>
Increase in net OPEB obligation	7,121
Net OPEB obligation, beginning of year	<u>116,524</u>
Net OPEB obligation, end of year	<u><u>\$ 123,645</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation for fiscal year 2017 and the previous two years were as follows:

Three-Year Trend Information			
Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 23,048	8.7%	\$ 99,800
2016	17,921	6.7%	116,524
2017	18,717	62.0%	123,645

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date, the plan was 9.2% funded. The actuarial accrued liability for benefits was \$256,465, and the actuarial value of assets was \$23,551, resulting in an unfunded actuarial accrued liability (UAAL) of \$232,914. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,305,282 and the ratio of the UAAL to the covered payroll was 17.8 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits calculations.

15. ECONOMIC DEPENDENCY

The City's Sewer and Water funds have a significant economic dependence on a local corporation. During the year ended June 30, 2017, the corporation's billings for utilities approximated 42% of total combined billings in the Sewer and Water funds.

16. TAX ABATEMENTS

The City received reduced property tax revenues during 2017 as a result of industrial facilities tax exemptions (IFT's). The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the county. The abatements amounted to approximately \$43,000 in reduced City tax revenues for 2017.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

17. NET INVESTMENT IN CAPITAL ASSETS

The compensation of net investment in capital assets as of June 30, 2017, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,148,059	\$ 240,698
Capital assets being depreciated, net	<u>10,043,053</u>	<u>10,287,808</u>
	<u>13,191,112</u>	<u>10,528,506</u>
Related debt:		
Bonds payable	700,000	-
Unamortized bond discount	<u>(3,994)</u>	<u>-</u>
	<u>696,006</u>	<u>-</u>
Net investment in capital assets	<u><u>\$ 12,495,106</u></u>	<u><u>\$ 10,528,506</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREMONT, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

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

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Total pension liability			
Service cost	\$ 158,884	\$ 150,483	\$ 150,506
Interest	941,665	885,802	855,187
Changes in benefit terms	(9,030)	-	-
Differences between expected and actual experience	78,624	43,707	-
Changes in assumptions	-	611,497	-
Benefit payments, including refunds of employee contributions	(679,937)	(643,796)	(625,376)
Other changes	(2,967)	-	-
Net change in total pension liability	<u>487,239</u>	<u>1,047,693</u>	<u>380,317</u>
Total pension liability, beginning of year	<u>12,031,342</u>	<u>10,983,649</u>	<u>10,603,332</u>
Total pension liability, end of year	<u>12,518,581</u>	<u>12,031,342</u>	<u>10,983,649</u>
Plan fiduciary net position			
Employer contributions	1,350,358	413,578	366,822
Employee contributions	6,698	-	-
Net investment income (loss)	652,394	(89,378)	375,832
Benefit payments, including refunds of employee contributions	(679,937)	(643,796)	(625,376)
Administrative expense	(12,907)	(13,238)	(13,755)
Net change in plan fiduciary net position	<u>1,316,606</u>	<u>(332,834)</u>	<u>103,523</u>
Plan fiduciary net position, beginning of year	<u>5,805,936</u>	<u>6,138,770</u>	<u>6,035,247</u>
Plan fiduciary net position, end of year	<u>7,122,542</u>	<u>5,805,936</u>	<u>6,138,770</u>
City's net pension liability	<u>\$ 5,396,039</u>	<u>\$ 6,225,406</u>	<u>\$ 4,844,879</u>
Plan fiduciary net position as a percentage of total pension liability	56.9%	48.3%	55.9%
Covered payroll	\$ 1,527,970	\$ 1,442,251	\$ 1,583,012
City's net pension liability as a percentage of covered payroll	353.2%	431.6%	306.1%

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

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

CITY OF FREMONT, MICHIGAN

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

Schedule of the Net Pension Liability

Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2017	\$ 12,518,581	\$ 7,122,542	\$ 5,396,039	56.9%	\$ 1,527,970	353.2%
2016	12,031,342	5,805,936	6,225,406	48.3%	1,442,251	431.6%
2015	10,983,649	6,138,770	4,844,879	55.9%	1,583,012	306.1%

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

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

CITY OF FREMONT, MICHIGAN

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

Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered-Employee Payroll	Contributions as Percentage of Covered-Employee Payroll
2017	\$ 450,358	\$ 1,350,358	\$ 900,000	\$ 1,562,137	86.4%
2016	434,443	434,443	-	1,493,902	29.1%
2015	391,914	391,914	-	1,559,862	25.1%

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

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2017, based on the 12/31/2014 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	24 years
Asset valuation method	Open; 10-year smooth market
Inflation	3.0% to 4.0%
Salary increases	4.5% in the long-term (2.0% and 3.0% for calendars years 2015 and 2016, respectively)
Investment rate of return	8.0%, net of investment and administrative expense including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2009 actuarial valuations. The Early Retirement rates were first used for the December 31, 2011 actuarial valuations.
Mortality	1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

CITY OF FREMONT, MICHIGAN

Required Supplementary Information
Single-Employer Other Postemployment Benefit Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2015	\$ 12,367	\$ 267,365	\$ 254,998	4.6%	\$ 1,190,359	21.4%
6/30/2016	12,618	214,052	201,434	5.9%	1,253,993	16.1%
6/30/2017	23,551	256,465	232,914	9.2%	1,305,282	17.8%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2015	\$ 23,587	9.0%
2016	18,783	6.4%
2017	19,952	58.1%

CITY OF FREMONT, MICHIGAN

Required Supplementary Information Single-Employer Other Postemployment Benefit Plan

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

	Year Ended June 30, 2017
Total OPEB liability	
Service cost	\$ 5,177
Interest	4,049
Benefit payments, including refunds of employee contributions	(1,596)
Net change in total OPEB liability	<u>7,630</u>
Total OPEB liability, beginning of year	<u>107,809</u>
Total OPEB liability, end of year	<u>115,439</u>
Plan fiduciary net position	
Employer contributions	11,596
Net investment income	966
Benefit payments, including refunds of employee contributions	(1,596)
Administrative expense	(33)
Net change in plan fiduciary net position	<u>10,933</u>
Plan fiduciary net position, beginning of year	<u>12,618</u>
Plan fiduciary net position, end of year	<u>23,551</u>
City's net OPEB liability	<u>\$ 91,888</u>
Plan fiduciary net position as a percentage of total OPEB liability	20.4%
Covered-employee payroll	\$ 1,512,869
City's net OPEB liability as a percentage of covered-employee payroll	6.1%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

CITY OF FREMONT, MICHIGAN

Required Supplementary Information
 Single-Employer Other Postemployment Benefit Plan

Schedule of the Net OPEB Liability

Year Ended June 30,	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as Percentage of Total OPEB Liability	Covered- Employee Payroll	Net OPEB Liability as Percentage of Covered- Employee Payroll
2017	\$ 115,439	\$ 23,551	\$ 91,888	20.4%	\$ 1,512,869	6.1%

Notes: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

A schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the plan, and related ratios is not presented nor required as an actuarially determined contribution is not calculated for the plan.

CITY OF FREMONT, MICHIGAN

Required Supplementary Information Single-Employer Other Postemployment Benefit Plan

Schedule of Investment Returns

Year Ended June 30,	Annual Money- Weighted Rate of Return, Net of Investment Expense
2017	7.39%

Note: GASB 74 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF FREMONT, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2017

	Special Revenue		Debt Service	Capital Projects
	Local Streets	Local Improvement	Construction Bond	Capital Projects
Assets				
Cash and investments	\$ 196,259	\$ 224,444	\$ 7,736	\$ 80,188
Receivables:				
Special assessments	-	58,642	-	-
Due from other governments	33,059	50,000	-	-
Total assets	<u>\$ 229,318</u>	<u>\$ 333,086</u>	<u>\$ 7,736</u>	<u>\$ 80,188</u>
Liabilities				
Account payable	\$ 407	\$ -	\$ -	\$ -
Accrued liabilities	649	-	-	-
Unearned revenue	-	-	-	77,000
Total liabilities	<u>1,056</u>	<u>-</u>	<u>-</u>	<u>77,000</u>
Deferred inflow of resources				
Unavailable revenue - special assessments receivable	-	58,642	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	228,262	-	7,736	-
Committed	-	274,444	-	3,188
Total fund balances	<u>228,262</u>	<u>274,444</u>	<u>7,736</u>	<u>3,188</u>
Total liabilities, deferred inflows resources, and fund balances	<u>\$ 229,318</u>	<u>\$ 333,086</u>	<u>\$ 7,736</u>	<u>\$ 80,188</u>



Permanent	
Cemetery Perpetual Care	Totals

\$ 306,936	\$ 815,563
-	58,642
-	83,059

<u>\$ 306,936</u>	<u>\$ 957,264</u>
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\$ -	\$ 407
-	649
-	77,000

-	78,056
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-	58,642
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306,936	306,936
-	235,998
-	277,632

<u>306,936</u>	<u>820,566</u>
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<u>\$ 306,936</u>	<u>\$ 957,264</u>
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CITY OF FREMONT, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2017

	Special Revenue		Debt Service	Capital Projects
	Local Streets	Local Improvement	Construction Bond	Capital Projects
Revenues				
Special assessments	\$ -	\$ 38,517	\$ -	\$ -
Intergovernmental:				
State	133,666	-	-	-
Local	-	-	154,509	270
Charges for services	-	-	-	-
Investment earnings	223	3,731	574	339
Total revenues	133,889	42,248	155,083	609
Expenditures				
Current:				
Public works	131,548	-	-	-
Community and economic development	-	17,508	-	-
Debt service:				
Principal	-	-	125,000	-
Interest and fees	-	-	30,084	-
Capital outlay	-	-	-	25,001
Total expenditures	131,548	17,508	155,084	25,001
Revenues over (under) expenditures	2,341	24,740	(1)	(24,392)
Other financing sources (uses)				
Transfers in	82,510	-	-	15,062
Transfers out	-	-	-	-
Total other financing sources (uses)	82,510	-	-	15,062
Net change in fund balances	84,851	24,740	(1)	(9,330)
Fund balances, beginning of year	143,411	249,704	7,737	12,518
Fund balances, end of year	<u>\$ 228,262</u>	<u>\$ 274,444</u>	<u>\$ 7,736</u>	<u>\$ 3,188</u>



Permanent	
Cemetery Perpetual Care	Totals
\$ -	\$ 38,517
-	133,666
-	154,779
7,450	7,450
1,329	6,196
<u>8,779</u>	<u>340,608</u>
-	131,548
-	17,508
-	125,000
-	30,084
-	25,001
<u>-</u>	<u>329,141</u>
<u>8,779</u>	<u>11,467</u>
-	97,572
<u>(18,314)</u>	<u>(18,314)</u>
<u>(18,314)</u>	<u>79,258</u>
(9,535)	90,725
<u>316,471</u>	<u>729,841</u>
<u>\$ 306,936</u>	<u>\$ 820,566</u>

CITY OF FREMONT, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Local Streets Special Revenue Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 171,460	\$ 171,460	\$ 133,666	\$ (37,794)
Investment earnings	130	130	223	93
Total revenues	<u>171,590</u>	<u>171,590</u>	<u>133,889</u>	<u>(37,701)</u>
Expenditures				
Current:				
Public works:				
Routine maintenance	58,989	141,989	113,810	(28,179)
Traffic services	2,315	2,315	1,656	(659)
Snow & ice control	26,150	26,150	16,082	(10,068)
Total expenditures	<u>87,454</u>	<u>170,454</u>	<u>131,548</u>	<u>(38,906)</u>
Revenues over expenditures	<u>84,136</u>	<u>1,136</u>	<u>2,341</u>	<u>1,205</u>
Other financing sources (uses)				
Transfers in	-	65,000	82,510	17,510
Transfers out	(83,000)	-	-	-
Total other financing sources (uses)	<u>(83,000)</u>	<u>65,000</u>	<u>82,510</u>	<u>17,510</u>
Net change in fund balance	<u>1,136</u>	<u>66,136</u>	<u>84,851</u>	<u>18,715</u>
Fund balance, beginning of year	<u>143,411</u>	<u>143,411</u>	<u>143,411</u>	<u>-</u>
Fund balance, end of year	<u>\$ 144,547</u>	<u>\$ 209,547</u>	<u>\$ 228,262</u>	<u>\$ 18,715</u>

CITY OF FREMONT, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Local Improvement Special Revenue Fund For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 30,000	\$ 30,000	\$ 38,517	\$ 8,517
Investment earnings	3,400	3,400	3,731	331
Total revenues	33,400	33,400	42,248	8,848
Expenditures				
Current:				
Community and economic development	18,000	18,000	17,508	(492)
Net change in fund balance	15,400	15,400	24,740	9,340
Fund balance, beginning of year	249,704	249,704	249,704	-
Fund balance, end of year	\$ 265,104	\$ 265,104	\$ 274,444	\$ 9,340