

City of Fremont,
Michigan



Year Ended
June 30, 2018

Financial
Statements

CITY OF FREMONT, MICHIGAN

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CITY OF FREMONT, MICHIGAN

Elected and Appointed Officials For the Year Ended June 30, 2018

Elected Officials

Mayor	James Rynberg
Mayor Pro Tem	Michael Carpenter
Council Members	Jane Drake Sandy Siegel Steven Heiss

Appointed Officials

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

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INDEPENDENT AUDITORS' REPORT

Month //, 2018

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Note 18, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. Accordingly, beginning net position of governmental activities was restated. Our opinion is not modified with respect to this matter.

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.

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, 2018. 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

· Total net position	\$22,913,679
· Change in total net position	79,540
· Fund balance, governmental funds	3,378,546
· Change in fund balance, governmental funds	1,355,327
· Unassigned fund balance, general fund	901,018
· Change in fund balance, general fund	213,900

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/inflows 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 change 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 change 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 business-type activities in 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, 2018, the City's net position from governmental activities totaled \$11,970,420 and \$10,943,259 from business-type activities, for a government-wide net position total of \$22,913,679.

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 \$1,642,229.

Governmental activities current and other assets increased by \$1,197,070. This increase is partially attributable to an increase in cash and investments due to the City receiving an MDOT infrastructure bank loan for \$750,000. Capital asset additions related to construction projects and equipment purchases were \$929,639, net of depreciation expense of \$1,086,420, contributing to the decrease in capital assets of \$156,781. Total long-term debt increased by \$617,966, primarily due to the MDOT loan discussed above, less principal payments of \$125,000.

Business-type activities assets remained relatively consistent with the prior year, while current and other liabilities increased primarily related to the MERS net pension liability.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 4,172,486	\$ 2,975,416	\$ 2,376,986	\$ 2,092,486	\$ 6,549,472	\$ 5,067,902
Capital assets, net	13,034,331	13,191,112	10,174,881	10,528,506	23,209,212	23,719,618
Total assets	<u>17,206,817</u>	<u>16,166,528</u>	<u>12,551,867</u>	<u>12,620,992</u>	<u>29,758,684</u>	<u>28,787,520</u>
Deferred outflows of resources	<u>382,776</u>	<u>745,270</u>	<u>188,034</u>	<u>215,128</u>	<u>570,810</u>	<u>960,398</u>
Current and other liabilities	3,758,750	4,616,409	1,682,751	1,232,933	5,441,501	5,849,342
Long-term debt	1,682,421	1,064,455	37,922	31,739	1,720,343	1,096,194
Total liabilities	<u>5,441,171</u>	<u>5,680,864</u>	<u>1,720,673</u>	<u>1,264,672</u>	<u>7,161,844</u>	<u>6,945,536</u>
Deferred inflows of resources	<u>178,002</u>	<u>-</u>	<u>75,969</u>	<u>-</u>	<u>253,971</u>	<u>-</u>
Net position:						
Net investment in capital assets	12,462,165	12,495,106	10,174,881	10,528,506	22,637,046	23,023,612
Restricted	1,150,704	1,053,954	-	-	1,150,704	1,053,954
Unrestricted (deficit)	(1,642,449)	(2,318,126)	768,378	1,042,942	(874,071)	(1,275,184)
Total net position	<u>\$11,970,420</u>	<u>\$11,230,934</u>	<u>\$10,943,259</u>	<u>\$11,571,448</u>	<u>\$22,913,679</u>	<u>\$22,802,382</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	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	\$ 914,588	\$ 929,753	\$ 1,303,877	\$ 1,312,554	\$ 2,218,465	\$ 2,242,307
Operating grants and contributions	669,418	566,372	16,451	10,828	685,869	577,200
Capital grants and contributions	579,528	218,461	6,000	3,000	585,528	221,461
General revenues:						
Property taxes	1,632,213	1,780,420	-	-	1,632,213	1,780,420
Licenses and permits	76,265	50,611	-	-	76,265	50,611
Unrestricted grants	818,496	549,524	-	-	818,496	549,524
Gain on sale of capital assets	30,000	15,156	-	-	30,000	15,156
Unrestricted investment earnings	24,138	6,953	-	-	24,138	6,953
Miscellaneous	5,852	4,389	-	-	5,852	4,389
Total revenues	4,750,498	4,121,639	1,326,328	1,326,382	6,076,826	5,448,021
Expenses						
General government	740,994	806,474	-	-	740,994	806,474
Public safety	1,792,938	1,695,680	-	-	1,792,938	1,695,680
Public works	1,168,492	1,259,630	-	-	1,168,492	1,259,630
Community and economic development	112,284	78,731	-	-	112,284	78,731
Culture and recreation	186,276	187,371	-	-	186,276	187,371
Interest on long-term debt	41,785	30,539	-	-	41,785	30,539
Sewer	-	-	939,413	960,656	939,413	960,656
Water	-	-	1,015,104	1,162,141	1,015,104	1,162,141
Total expenses	4,042,769	4,058,425	1,954,517	2,122,797	5,997,286	6,181,222
Change in net position	707,729	63,214	(628,189)	(796,415)	79,540	(733,201)
Net position,						
beginning of year	11,230,934	11,167,720	11,571,448	12,367,863	22,802,382	23,535,583
Restatement for implementation of GASB 75	31,757	-	-	-	31,757	-
Net position,						
end of year	\$11,970,420	\$11,230,934	\$10,943,259	\$11,571,448	\$22,913,679	\$22,802,382

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. This resulted in the beginning net position being restated by \$31,757.

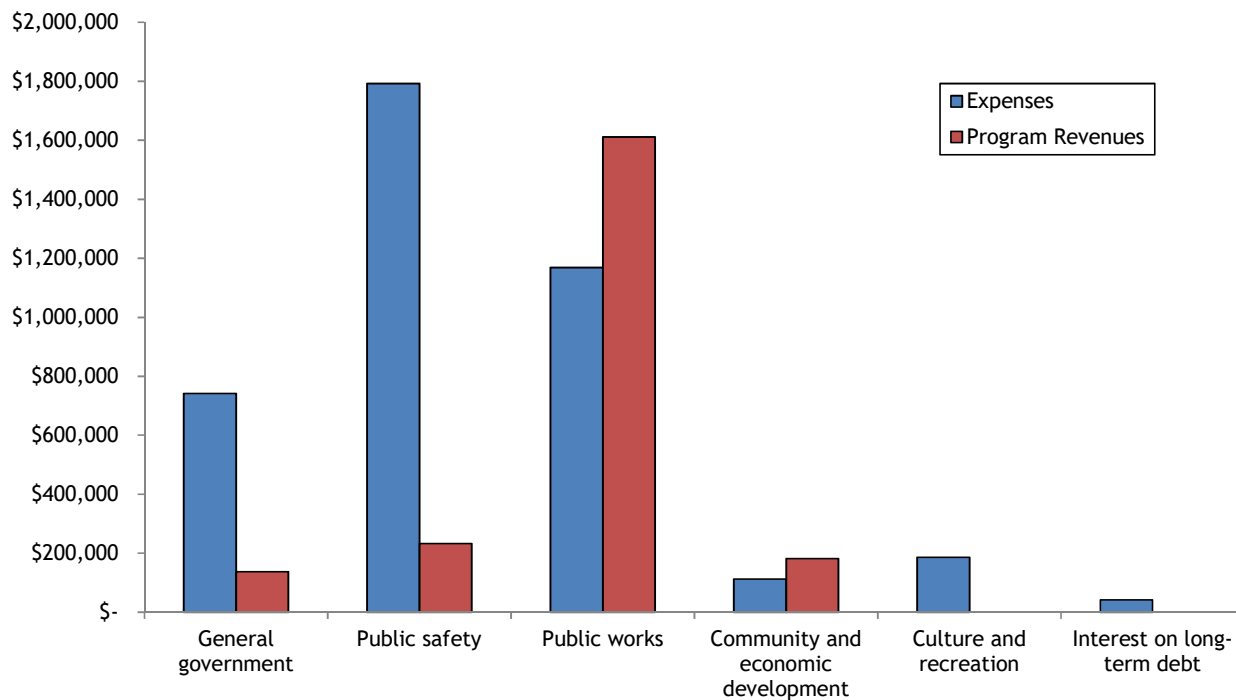
CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities increased the City's net position by \$707,729. Key elements of this increase are as follows:

- The City's \$628,859 increase in governmental activities revenue is mainly due to a \$733,085 increase in grant revenues (operating, capital and unrestricted) revenues offset by a decrease of \$148,207 in tax revenues. Operating grants and contributions increased by \$103,046 as the result of increases in gas and weight tax distributions from the State of Michigan. Capital grants and contributions increased by \$361,067 due to several new grants received during 2017-18 used to fund street resurfacing projects. Unrestricted grants increased by \$268,972 due to increases in state shared sales tax revenue from the State of Michigan.
- The City experienced a slight reduction in total expenses of \$15,656.

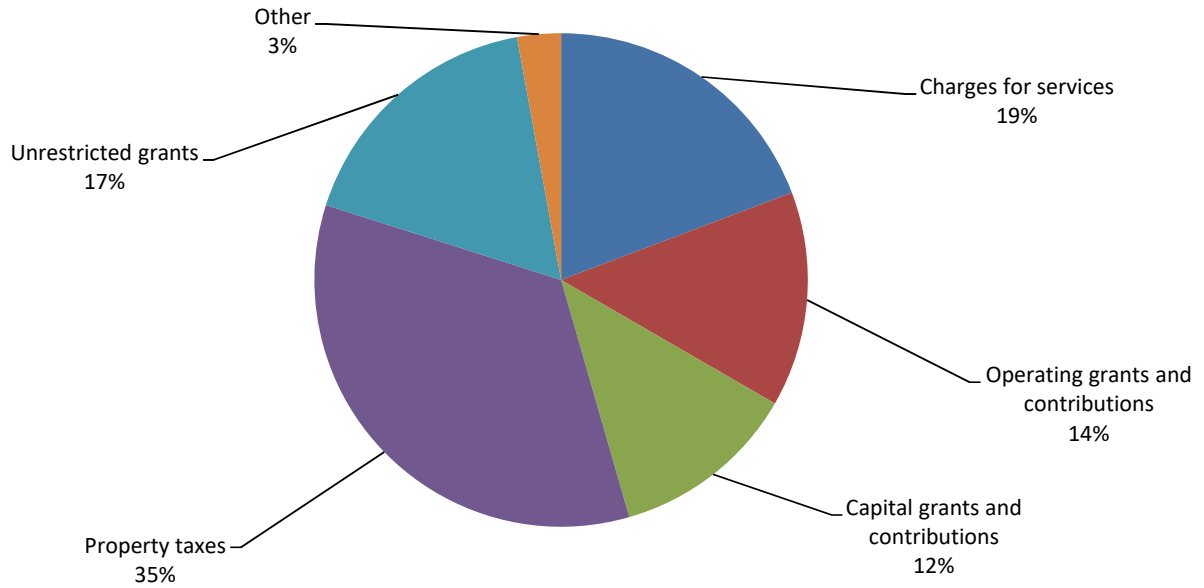
Expenses and Program Revenues - Governmental Activities



CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Revenues by Source - Governmental Activities



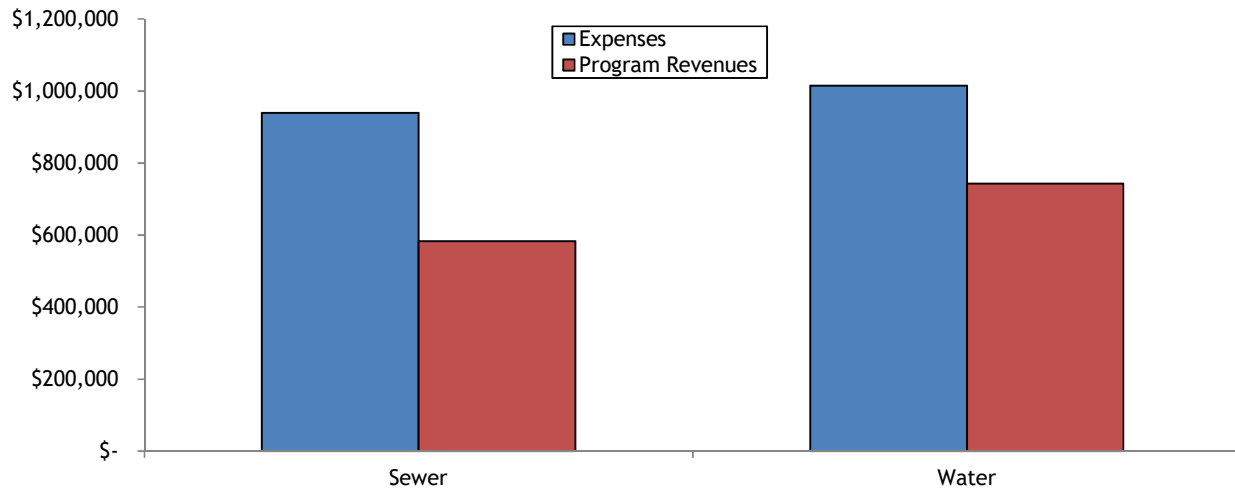
Business-type Activities. Business-type activities decreased the City's net position by \$628,189. Key elements of this decrease are as follows:

- Overall business-type revenues remained constant due to no significant changes in billing rates, usage or state funding. Expenses decreased by 7.93% due to a voluntary contribution to the City's pension plan made in the prior year.

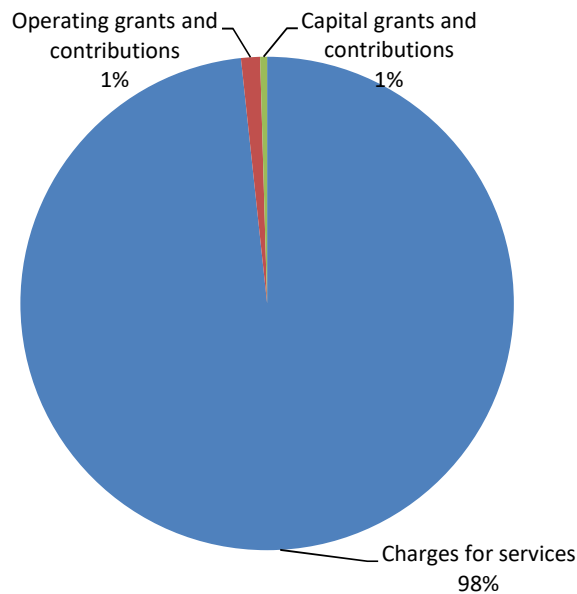
CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



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.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

At the end of the 2018 fiscal year, the governmental funds reported a combined fund balance of \$3,378,546. Of this number, \$901,018 represents the General Fund's unassigned and total fund balance. The unassigned balance represents what is available for spending at the City's discretion.

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 \$901,018, an increase of \$213,900 (31.13%) from fiscal year 2016/17. 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, 2018 represents 27.41% of the general fund expenditures and transfers out.

Overall and in comparison to the previous year, General Fund revenues increased by \$175,510 and expenditures increased by \$117,554. Revenues increased due to an increase in the local stabilization payment from the State of Michigan.

In the Major Streets Fund, revenues (gas and weight tax, etc.) from the State of Michigan increased by 19.30%. In addition, the fund received a pass-through grant to fund some additional street resurfacing projects that were completed in 2017/18. The Major Streets fund experienced an increase in fund balance of \$874,233, with a total restricted fund balance of \$1,389,768 at year-end. The increase in fund balance is the direct result of the fund receiving the proceeds of a loan in the amount of \$750,000 from the Michigan Department of Transportation that is restricted to use on the upcoming Cedar Street Extension project along with grant funding from the U.S. Department of Commerce.

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, 2018, net position of the Sewer Fund decreased by \$356,138 and net position of the Water Fund decreased by \$272,051. Detailed discussion regarding these changes has been discussed within the Business-type Activities section of the MD&A.

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.

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 rolled the Cedar Street extension project (\$1,476,000) over into the next fiscal year, with an expected start date of November 2018.
- The City finally received a more accurate payment from the State of Michigan's Local Stabilization Fund of \$411,000, which necessitated a budget increase to that revenue item of \$261,750.
- The City received a \$40,000 credit from Consumers Energy following a streetlight energy audit, from which the City will also experience a 20% reduction in annual electricity expense for moving forward.
- The City amended the Major Street Fund Budget to reflect the need for concrete crushing services (\$75,000), due to the increase in local construction projects as part of the economic upswing taking place in West Michigan.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

- The City's Darling Walkway project (\$400,000) and Stone Road Town & Country Path extension (\$25,000) were also rolled over to the next fiscal year with anticipated construction still this summer 2018.
- The City purchased some property (\$47,325) that was in tax delinquency with the County, demolished some buildings, cleaned them up, and is planning for redevelopment projects to take place on the properties in the near future.
- Following the City filling a vacancy in the Police Department, wages and benefit costs had to be adjusted \$58,000, whereas original projections were based on the uncertainty of filling the position.
- The City received some grant funds (\$14,100) to help fund a new stone walkway in Arboretum Park.

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, 2018 totaled \$23,209,212 (net of accumulated depreciation). Investments in capital assets include land and land improvements, buildings and improvements, infrastructure (including utility systems and roads), furniture and equipment.

The City purchased a new vector truck at a cost of \$374,410 and completed several street resurfacing projects, total cost of \$349,124, during the year. These purchases, and other smaller expenditures, was offset by depreciation of \$1,440,045, which caused a decrease in the total investment in capital assets.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 3,094,743	\$ 3,047,417	\$ 240,698	\$ 240,698	\$ 3,335,441	\$ 3,288,115
Construction in progress	238,507	100,642	-	-	238,507	100,642
Land improvements	864,025	946,159	-	-	864,025	946,159
Buildings and improvements	1,275,442	1,408,882	-	-	1,275,442	1,408,882
Utility systems	-	-	9,835,140	10,179,885	9,835,140	10,179,885
Vehicles and equipment	935,190	708,357	99,043	107,923	1,034,233	816,280
Infrastructure	6,626,424	6,979,655	-	-	6,626,424	6,979,655
Total capital assets, net	\$13,034,331	\$13,191,112	\$10,174,881	\$10,528,506	\$23,209,212	\$23,719,618

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, 2018, the City had outstanding long-term liabilities of \$1,720,343 consisting of a capital improvement bond, an unamortized discount related to those bonds, a loan from the Michigan Department of Transportation (MDOT) State Infrastructure Bank (SIB), and compensated absences (accrued sick and vacation pay). Long-term liabilities increased by \$624,149 due to the receipt of proceeds on the MDOT SIB loan and offset by regularly scheduled principal payments.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Capital improvement bonds	\$ 575,000	\$ 700,000	\$ -	\$ -	\$ 575,000	\$ 700,000
MDOT SIB Loan	750,000	-	-	-	750,000	-
Unamortized discount	(2,834)	(3,994)	-	-	(2,834)	(3,994)
Compensated absences	360,255	368,449	37,922	31,739	398,177	400,188
Total long-term debt	\$ 1,682,421	\$ 1,064,455	\$ 37,922	\$ 31,739	\$ 1,720,343	\$ 1,096,194

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 2018/19 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 \$650,000 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.

Previously the City responded to the economic downturn and pressure on revenues by keeping program expenses constant and increasing user fees at inflationary measures. But with recent positive economic conditions, the City's budget is able to reflect normal operational expense and revenue increases throughout most of its departments.

The General Fund budget for fiscal year 2018/19 increased by 6% (\$198,628), which includes plans to increase the General Funds transfer of funds toward capital projects on Local Streets and the Airport (\$190,000).

For the City's street system, the City has budgeted to expend accumulated resources of \$673,000 to match requested EDA grant funds of \$650,000, for the \$1.4 Million Cedar Street Extension project. This project will complete the City's planned alternate truck route leading to the Industrial Park.

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 been successful with raising funds to construct a large sculpture at the center of the project, which should be completed by fall 2018.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

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.

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BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, MICHIGAN

Statement of Net Position
June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 3,795,498	\$ 2,012,670	\$ 5,808,168	\$ 151,884
Receivables	376,988	364,316	741,304	56,122
Capital assets not being depreciated	3,333,250	240,698	3,573,948	-
Capital assets being depreciated, net	9,701,081	9,934,183	19,635,264	-
Total assets	17,206,817	12,551,867	29,758,684	208,006
Deferred outflows of resources				
Deferred pension amounts	382,631	188,034	570,665	-
Deferred OPEB amounts	145	-	145	-
Total deferred outflows of resources	382,776	188,034	570,810	-
Liabilities				
Accounts payable and accrued liabilities	185,291	36,949	222,240	29,470
Unearned revenue	165,292	-	165,292	-
Long-term debt:				
Due within one year	318,456	37,922	356,378	-
Due in more than one year	1,363,965	-	1,363,965	-
Net pension liability	3,349,046	1,645,802	4,994,848	-
Net OPEB liability	59,121	-	59,121	-
Total liabilities	5,441,171	1,720,673	7,161,844	29,470
Deferred inflows of resources				
Deferred pension amounts	154,590	75,969	230,559	-
Deferred OPEB amounts	23,412	-	23,412	-
Total deferred inflows of resources	178,002	75,969	253,971	-
Net position				
Net investment in capital assets	12,462,165	10,174,881	22,637,046	-
Restricted for:				
Streets and highways	831,935	-	831,935	-
Perpetual care (non-expendable)	318,769	-	318,769	-
Unrestricted (deficit)	(1,642,449)	768,378	(874,071)	178,536
Total net position	\$ 11,970,420	\$ 10,943,259	\$ 22,913,679	\$ 178,536

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, 2018

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	\$ 740,994	\$ 124,896	\$ 12,478	\$ -	\$ (603,620)
Public safety	1,792,938	196,175	36,533	-	(1,560,230)
Public works	1,168,492	411,642	620,407	579,528	443,085
Community and economic development	112,284	181,875	-	-	69,591
Culture and recreation	186,276	-	-	-	(186,276)
Interest on long-term debt	41,785	-	-	-	(41,785)
Total governmental activities	4,042,769	914,588	669,418	579,528	(1,879,235)
Business-type activities:					
Sewer	939,413	577,103	6,172	-	(356,138)
Water	1,015,104	726,774	10,279	6,000	(272,051)
Total business-type activities	1,954,517	1,303,877	16,451	6,000	(628,189)
Total primary government	\$ 5,997,286	\$ 2,218,465	\$ 685,869	\$ 585,528	\$ (2,507,424)
Component units					
Downtown Development Authority	\$ 466,886	\$ 18,245	\$ 70,000	\$ -	\$ (378,641)
Local Development Finance Authority	72,430	-	-	-	(72,430)
Fremont Community Joint Planning Commission	7,776	-	-	-	(7,776)
Total component units	\$ 547,092	\$ 18,245	\$ 70,000	\$ -	\$ (458,847)

continued...

CITY OF FREMONT, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2018

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (1,879,235)	\$ (628,189)	\$ (2,507,424)	\$ (458,847)
General revenues:				
Property taxes	1,632,213	-	1,632,213	453,922
Licenses and permits	76,265	-	76,265	-
Grants and contributions not restricted to specific programs	818,496	-	818,496	-
Gain on sale of capital assets	30,000	-	30,000	-
Unrestricted interest earnings	24,138	-	24,138	1,921
Miscellaneous	5,852	-	5,852	-
Total general revenues	2,586,964	-	2,586,964	455,843
Change in net position	707,729	(628,189)	79,540	(3,004)
Net position, beginning of year, as restated	11,262,691	11,571,448	22,834,139	181,540
Net position, end of year	\$ 11,970,420	\$ 10,943,259	\$ 22,913,679	\$ 178,536

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, 2018

	General Fund	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 928,218	\$ 1,338,270	\$ 1,103,715	\$ 3,370,203
Receivables:				
Accounts	125,217	-	-	125,217
Special assessments	-	-	41,219	41,219
Due from other governments	69,728	74,573	66,251	210,552
Total assets	\$ 1,123,163	\$ 1,412,843	\$ 1,211,185	\$ 3,747,191
Liabilities				
Accounts payable	\$ 81,256	\$ 21,644	\$ 4,570	\$ 107,470
Accrued liabilities	52,597	1,431	636	54,664
Unearned revenue	88,292	-	77,000	165,292
Total liabilities	222,145	23,075	82,206	327,426
Deferred inflows of resources				
Unavailable revenue - special assessments receivable	-	-	41,219	41,219
Fund balances				
Nonspendable	-	-	318,769	318,769
Restricted	-	1,389,768	199,415	1,589,183
Committed	-	-	569,576	569,576
Unassigned	901,018	-	-	901,018
Total fund balances	901,018	1,389,768	1,087,760	3,378,546
Total liabilities, deferred inflows of resources and fund balances	\$ 1,123,163	\$ 1,412,843	\$ 1,211,185	\$ 3,747,191

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, 2018

Fund balances - total governmental funds	\$ 3,378,546
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	3,333,250
Capital assets being depreciated, net	9,701,081
Less: capital assets being accounted for in internal service funds	(1,178,167)
Special assessment revenue is not recognized until it is available to pay for current year expenditures and, therefore, is shown as deferred inflows of resources in the governmental funds.	
	41,219
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	1,600,041
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Bond/loan payable and unamortized discount	(1,322,166)
Compensated absences payable	(360,255)
Accrued interest on bonds payable	(19,736)
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(3,349,046)
Net other postemployment benefits liability	(59,121)
Deferred outflows related to the net pension liability	382,631
Deferred outflows related to the net other postemployment benefits liability	145
Deferred inflows related to the net pension liability	(154,590)
Deferred inflows related to the net other postemployment benefits liability	(23,412)
Net position of governmental activities	<u>\$ 11,970,420</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balances

Governmental Funds

For the Year Ended June 30, 2018

	General Fund	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 1,632,213	\$ -	\$ -	\$ 1,632,213
Special assessments	-	-	54,485	54,485
Licenses and permits	76,265	-	-	76,265
Intergovernmental:				
Federal	430	112,000	-	112,430
State	822,056	446,078	197,955	1,466,089
Local	5,000	-	348,728	353,728
Charges for services	849,222	50,514	9,125	908,861
Fines and forfeitures	6,981	-	-	6,981
Investment earnings	24,138	4,166	9,404	37,708
Other	84,391	-	-	84,391
Total revenues	3,500,696	612,758	619,697	4,733,151
Expenditures				
Current:				
General government	602,404	-	-	602,404
Public safety	1,277,900	-	-	1,277,900
Public works	658,329	418,525	278,854	1,355,708
Community and economic development	61,692	-	18,245	79,937
Culture and recreation	148,431	-	-	148,431
Other governmental functions	493,040	-	-	493,040
Debt service:				
Principal	-	-	125,000	125,000
Interest and fees	-	-	25,404	25,404
Capital outlay	-	-	20,000	20,000
Total expenditures	3,241,796	418,525	467,503	4,127,824
Revenues over (under) expenditures	258,900	194,233	152,194	605,327
Other financing sources (uses)				
Proceeds from issuance of long-term debt	-	750,000	-	750,000
Transfers in	-	-	115,000	115,000
Transfers out	(45,000)	(70,000)	-	(115,000)
Total other financing sources (uses)	(45,000)	680,000	115,000	750,000
Net change in fund balances	213,900	874,233	267,194	1,355,327
Fund balances, beginning of year	687,118	515,535	820,566	2,023,219
Fund balances, end of year	\$ 901,018	\$ 1,389,768	\$ 1,087,760	\$ 3,378,546

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

CITY OF FREMONT, MICHIGAN

Reconciliation

Net Change in Fund Balances of Governmental Funds
 To Change in Net Position of Governmental Activities
 For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds \$ 1,355,327

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	929,639
Less: purchase/construction of capital assets being accounted for in internal service funds	(374,410)
Depreciation expense	(1,086,420)
Less: depreciation expense being accounted for in internal service funds	162,229

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 income from internal service funds	6,653
Investment income from governmental activities internal service funds	4,770
Gain on sale of capital assets from governmental activities internal service funds	30,000

Governmental funds recognize special assessments as revenue as they become current;
 however, they are recognized in full when levied in the statement of activities. (17,423)

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.

Proceeds from issuance of long-term debt	(750,000)
Principal payments on long-term debt	125,000

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	321,051
Change in the net other postemployment benefits liability and related deferred amounts	9,500
Change in compensated absences	8,194
Amortization of bond discount	(1,160)
Change in accrued interest payable	(15,221)

Change in net position of governmental activities \$ 707,729

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,622,674	\$ 1,622,674	\$ 1,632,213	\$ 9,539
Licenses and permits	52,500	52,500	76,265	23,765
Intergovernmental:				
Federal	-	-	430	430
State	550,500	812,250	822,056	9,806
Local	5,000	5,000	5,000	-
Charges for services	830,620	830,620	849,222	18,602
Fines and forfeitures	14,000	14,000	6,981	(7,019)
Investment earnings	13,000	13,000	24,138	11,138
Other	61,000	75,100	84,391	9,291
Total revenues	3,149,294	3,425,144	3,500,696	75,552
Expenditures				
Current:				
General government:				
Legislative	11,545	12,245	11,749	(496)
Executive	88,375	88,375	82,624	(5,751)
Elections	4,907	5,307	4,708	(599)
General administration	10,000	57,325	47,776	(9,549)
Clerk	76,070	77,570	77,999	429
Treasurer	57,090	41,090	37,819	(3,271)
Assessor	57,750	57,750	55,835	(1,915)
Cemetery	113,820	137,420	131,755	(5,665)
Attorney	20,000	20,000	21,301	1,301
Building and grounds	95,900	103,900	100,173	(3,727)
Public relations	37,161	37,160	30,665	(6,495)
Total general government	572,618	638,142	602,404	(35,738)
Public safety:				
Police department	902,750	963,440	982,741	19,301
Fire department	300,545	323,364	295,159	(28,205)
Total public safety	1,203,295	1,286,804	1,277,900	(8,904)
Public works:				
Department of public works	409,535	354,535	352,333	(2,202)
Refuse and recycling	260,995	260,995	264,375	3,380
Yard waste	42,224	42,224	41,621	(603)
Total public works	712,754	657,754	658,329	575

continued...

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (continued):				
Community and economic development:				
Planning and zoning	\$ 27,030	\$ 27,030	\$ 43,769	\$ 16,739
Community development	19,164	19,164	17,923	(1,241)
Total community and economic development	<u>46,194</u>	<u>46,194</u>	<u>61,692</u>	<u>15,498</u>
Culture and recreation:				
Parks and recreation	<u>143,973</u>	<u>158,073</u>	<u>148,431</u>	<u>(9,642)</u>
Other governmental functions:				
Employee fringe benefits and other items	381,870	395,870	369,369	(26,501)
Airport operations	110,183	125,183	123,335	(1,848)
Tax tribunal refunds	2,500	2,500	336	(2,164)
Total other governmental functions	<u>494,553</u>	<u>523,553</u>	<u>493,040</u>	<u>(30,513)</u>
Total expenditures	<u>3,173,387</u>	<u>3,310,520</u>	<u>3,241,796</u>	<u>(68,724)</u>
Revenues over (under) expenditures	(24,093)	114,624	258,900	144,276
Other financing uses				
Transfers out	<u>(95,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
Net change in fund balance	(119,093)	69,624	213,900	144,276
Fund balance, beginning of year	<u>687,118</u>	<u>687,118</u>	<u>687,118</u>	<u>-</u>
Fund balance, end of year	<u>\$ 568,025</u>	<u>\$ 756,742</u>	<u>\$ 901,018</u>	<u>\$ 144,276</u>

concluded

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - Major Streets Special Revenue Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal	\$ 150,000	\$ 150,000	\$ 112,000	\$ (38,000)
State	355,000	355,000	446,078	91,078
Charges for services	50,000	50,000	50,514	514
Investment earnings	500	500	4,166	3,666
Total revenues	555,500	555,500	612,758	57,258
Expenditures				
Current:				
Public works:				
Construction	1,251,000	401,000	291,410	(109,590)
Routine maintenance	61,413	61,413	44,197	(17,216)
Traffic services	13,306	16,306	16,170	(136)
Snow & ice control	30,112	30,112	25,771	(4,341)
Trunkline maintenance	60,000	60,000	40,977	(19,023)
Total expenditures	1,415,831	568,831	418,525	(150,306)
Revenues over (under) expenditures	(860,331)	(13,331)	194,233	207,564
Other financing sources (uses)				
Proceeds from issuance of long-term debt	750,000	750,000	750,000	-
Transfers out	(70,000)	(70,000)	(70,000)	-
Total other financing sources (uses)	680,000	680,000	680,000	-
Net change in fund balance	(180,331)	666,669	874,233	207,564
Fund balance, beginning of year	515,535	515,535	515,535	-
Fund balance, end of year	\$ 335,204	\$ 1,182,204	\$ 1,389,768	\$ 207,564

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

CITY OF FREMONT, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Assets				
Current assets:				
Cash and investments	\$ 758,004	\$ 1,254,666	\$ 2,012,670	\$ 425,295
Accounts receivable	183,613	180,703	364,316	-
Total current assets	<u>941,617</u>	<u>1,435,369</u>	<u>2,376,986</u>	<u>425,295</u>
Noncurrent assets:				
Capital assets, net				
Land	228,972	11,726	240,698	-
Buildings	-	-	-	632,455
Utility systems	10,724,659	8,353,222	19,077,881	-
Equipment	220,889	58,386	279,275	3,261,711
Accumulated depreciation	(6,418,685)	(3,004,288)	(9,422,973)	(2,715,999)
Total noncurrent assets	<u>4,755,835</u>	<u>5,419,046</u>	<u>10,174,881</u>	<u>1,178,167</u>
Total assets	<u>5,697,452</u>	<u>6,854,415</u>	<u>12,551,867</u>	<u>1,603,462</u>
Deferred outflows of resources				
Deferred pension amounts	<u>91,592</u>	<u>96,442</u>	<u>188,034</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	10,078	11,073	21,151	1,313
Accrued liabilities	7,859	7,939	15,798	2,108
Current portion of long-term debt	<u>8,795</u>	<u>29,127</u>	<u>37,922</u>	<u>-</u>
Total current liabilities	<u>26,732</u>	<u>48,139</u>	<u>74,871</u>	<u>3,421</u>
Noncurrent liabilities:				
Net pension liability	<u>801,673</u>	<u>844,129</u>	<u>1,645,802</u>	<u>-</u>
Total liabilities	<u>828,405</u>	<u>892,268</u>	<u>1,720,673</u>	<u>3,421</u>
Deferred inflows of resources				
Deferred pension amounts	<u>37,005</u>	<u>38,964</u>	<u>75,969</u>	<u>-</u>
Net position				
Investment in capital assets	4,755,835	5,419,046	10,174,881	1,178,167
Unrestricted	<u>167,799</u>	<u>600,579</u>	<u>768,378</u>	<u>421,874</u>
Total net position	<u>\$ 4,923,634</u>	<u>\$ 6,019,625</u>	<u>10,943,259</u>	<u>\$ 1,600,041</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenses and Change in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Revenues				
Charges for services	\$ 577,103	\$ 726,774	\$ 1,303,877	\$ 353,291
Operating expenses				
Administration	421,427	429,044	850,471	48,960
Operations	323,146	427,275	750,421	135,449
Depreciation	194,840	158,785	353,625	162,229
Total operating expenses	939,413	1,015,104	1,954,517	346,638
Operating income (loss)	(362,310)	(288,330)	(650,640)	6,653
Nonoperating revenues				
Investment income	6,172	10,279	16,451	4,770
Connection fees	-	6,000	6,000	-
Gain on sale of capital assets	-	-	-	30,000
Total nonoperating revenues	6,172	16,279	22,451	34,770
Change in net position	(356,138)	(272,051)	(628,189)	41,423
Net position, beginning of year	5,279,772	6,291,676	11,571,448	1,558,618
Net position, end of year	\$ 4,923,634	\$ 6,019,625	\$ 10,943,259	\$ 1,600,041

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, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 595,402	\$ 744,277	\$ 1,339,679	\$ -
Receipts from interfund services provided	-	-	-	353,291
Payments to and refunds received from suppliers	(91,454)	(184,710)	(276,164)	(134,828)
Payments to or on behalf of employees	(345,260)	(373,388)	(718,648)	(48,224)
Payments for interfund services used	(26,421)	(20,595)	(47,016)	-
Net cash provided by operating activities	132,267	165,584	297,851	170,239
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	-	-	30,000
Connection fees	-	6,000	6,000	-
Purchase of capital assets	-	-	-	(374,410)
Net cash provided by (used in) capital and related financing activities	-	6,000	6,000	(344,410)
Cash flows from investing activities				
Interest received	6,172	10,279	16,451	4,770
Net increase (decrease) in cash and investments	138,439	181,863	320,302	(169,401)
Cash and investments, beginning of year	619,565	1,072,803	1,692,368	594,696
Cash and investments, end of year	\$ 758,004	\$ 1,254,666	\$ 2,012,670	\$ 425,295
Cash flows from operating activities				
Operating income (loss)	\$ (362,310)	\$ (288,330)	\$ (650,640)	\$ 6,653
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	194,840	158,785	353,625	162,229
Changes in assets, deferred outflows/inflows of resources, and liabilities that provided (used) cash:				
Accounts receivable	18,299	17,503	35,802	-
Accounts payable	5,992	5,291	11,283	621
Accrued liabilities	1,255	191	1,446	736
Compensated absences	1,718	4,465	6,183	-
Net pension liability and related deferred amounts	224,297	212,792	437,089	-
Deferred pension amounts	48,176	54,887	103,063	-
Net cash provided by operating activities	\$ 132,267	\$ 165,584	\$ 297,851	\$ 170,239

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, 2018

	Trust & Agency Fund	Other Post- Employment Benefits Trust
Assets		
Investments:		
MERS diversified bond portfolio	\$ -	\$ 9,280
MERS established market portfolio	-	10,626
MERS short-term income fund	-	8,967
MERS total market portfolio	-	10,650
Total investments	<u>-</u>	<u>39,523</u>
Receivables	18,863	-
Due from other governmental units	<u>2,486</u>	<u>-</u>
Total assets	<u>\$ 21,349</u>	<u>39,523</u>
Liabilities		
Negative equity in pooled cash	\$ 19,465	-
Accounts payable	<u>1,884</u>	<u>-</u>
Total liabilities	<u>\$ 21,349</u>	<u>-</u>
Net position		
Restricted for other postemployment benefits		<u>\$ 39,523</u>

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

CITY OF FREMONT, MICHIGAN

■ Statement of Change in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2018

	Other Post- Employment Benefits Trust
Additions	
Employer contributions	\$ 16,596
Investment earnings	1,049
	<hr/>
Total additions	17,645
	<hr/>
Deductions	
Benefit payments	1,596
Administrative expenses	77
	<hr/>
Total deductions	1,673
	<hr/>
Change in net position	15,972
	<hr/>
Net position, beginning of year	23,551
	<hr/>
Net position, end of year	\$ 39,523
	<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, 2018

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Assets				
Cash and investments	\$ 128,136	\$ 11,127	\$ 12,621	\$ 151,884
Receivables	56,122	-	-	56,122
Total assets	184,258	11,127	12,621	208,006
Liabilities				
Accounts payable and accrued liabilities	28,867	-	603	29,470
Net position				
Unrestricted	\$ 155,391	\$ 11,127	\$ 12,018	\$ 178,536

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, 2018

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Expenses				
Downtown Development Authority	\$ 466,886	\$ -	\$ -	\$ 466,886
Local Development Finance Authority	-	72,430	-	72,430
Fremont Community Joint Planning Commission	-	-	7,776	7,776
Total expenses	466,886	72,430	7,776	547,092
Program revenues				
Charges for services	18,245	-	-	18,245
Operating grants and contributions	70,000	-	-	70,000
Total program revenues	88,245	-	-	88,245
Net expense	(378,641)	(72,430)	(7,776)	(458,847)
General revenues				
Property taxes	381,163	72,759	-	453,922
Unrestricted investment earnings	1,324	95	502	1,921
Total general revenues	382,487	72,854	502	455,843
Change in net position	3,846	424	(7,274)	(3,004)
Net position, beginning of year	151,545	10,703	19,292	181,540
Net position, end of year	\$ 155,391	\$ 11,127	\$ 12,018	\$ 178,536

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 activity and therefore no amounts are reported.

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, 2018, was \$45,000.

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

The *internal Service fund* is 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.
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, 2018. 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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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.”

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 in governmental funds 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 and other postemployment benefits plans. A portion of these costs represent contributions to the pension 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 and Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plans. 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues related to special assessments, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension and other postemployment benefits plans.

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 and 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, 2018, 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:			
Clerk	\$ 77,570	\$ 77,999	\$ 429
Attorney	20,000	21,301	1,301
Public safety:			
Police department	963,440	982,741	19,301
Public works:			
Refuse and recycling	260,995	264,375	3,380
Community and economic development:			
Planning and zoning	27,030	43,769	16,739
Local Streets fund:			
Public works:			
Routine maintenance	243,989	245,253	1,264

3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2018:

	Primary Government	Component Units	Agency Funds	Fiduciary Funds	Total
Cash and investments	\$ 5,808,168	\$ 151,884	\$ -	\$ 39,523	\$ 5,999,575
Negative equity in pooled cash	-	-	(19,465)	-	(19,465)
	<u>\$ 5,808,168</u>	<u>\$ 151,884</u>	<u>\$ (19,465)</u>	<u>\$ 39,523</u>	<u>\$ 5,980,110</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, 2018:

Checking/savings accounts	\$ 3,210,244
Certificates of deposit:	
Due within one year	1,370,299
Due in one to five years	279,861
Investments	1,115,719
Petty cash	<u>3,987</u>
 Total cash and investments	 <u><u>\$ 5,980,110</u></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.

The City chooses to disclose its investments by specifically identifying each. As of June 30, 2018, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 869,976	AAAm (S&P)
Federal Home Loan Bank	6/15/2020	196,856	AA+ (S&P)
Money market account	N/A	9,364	N/A
MERS diversified bond portfolio	N/A	9,280	N/A
MERS established market portfolio	N/A	10,626	N/A
MERS short-term income fund	N/A	8,967	N/A
MERS total market portfolio	N/A	<u>10,650</u>	N/A
 Total investments		 <u><u>\$ 1,115,719</u></u>	

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

The City voluntarily invests certain excess funds in an external investment pool (Michigan Cooperative Liquid Assets Securities System). 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.

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, \$4,062,227 of the City's bank balance of \$5,184,336 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.

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, 2018, the City's investments in the various MERS funds are classified as level 1, while the remaining investments of the City are classified as level 2.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES

At June 30, 2018, the City's receivables consisted of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 125,217	\$ 364,316	\$ -
Special assessments	41,219	-	-
Due from other governments	210,552	-	-
Notes	-	-	56,122
Total	\$ 376,988	\$ 364,316	\$ 56,122

Of the amounts reported above, \$15,971 of special assessments receivable and \$30,000 of due from other governments reported in governmental activities and \$37,058 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, 2018, the City's accounts payable and accrued liabilities were as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 108,783	\$ 21,151	\$ 24,515
Accrued liabilities	56,772	15,798	4,955
Accrued interest payable	19,736	-	-
Total	\$ 185,291	\$ 36,949	\$ 29,470

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 3,047,417	\$ 47,326	\$ -	\$ -	\$ 3,094,743
Construction in progress	100,642	158,779	-	(20,914)	238,507
	<u>3,148,059</u>	<u>206,105</u>	<u>-</u>	<u>(20,914)</u>	<u>3,333,250</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	4,126,309	374,410	(307,317)	20,914	4,214,316
Infrastructure	18,866,927	349,124	-	-	19,216,051
	<u>29,485,877</u>	<u>723,534</u>	<u>(307,317)</u>	<u>20,914</u>	<u>29,923,008</u>
Less accumulated depreciation for:					
Land improvements	(792,984)	(82,134)	-	-	(875,118)
Buildings and improvements	(3,344,616)	(133,440)	-	-	(3,478,056)
Vehicles and equipment	(3,417,952)	(168,491)	307,317	-	(3,279,126)
Infrastructure	(11,887,272)	(702,355)	-	-	(12,589,627)
	<u>(19,442,824)</u>	<u>(1,086,420)</u>	<u>307,317</u>	<u>-</u>	<u>(20,221,927)</u>
Total capital assets being depreciated, net	<u>10,043,053</u>	<u>(362,886)</u>	<u>-</u>	<u>20,914</u>	<u>9,701,081</u>
Governmental activities capital assets, net	<u>\$ 13,191,112</u>	<u>\$ (156,781)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,034,331</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

Governmental activities	
General government	\$ 158,168
Public safety	395,056
Public works	305,173
Community and economic development	24,712
Culture and recreation	41,082
Depreciation charged to Internal Service Funds	<u>162,229</u>
	<u>\$ 1,086,420</u>

	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	279,275	-	-	-	279,275
	<u>19,357,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,357,156</u>
Less accumulated depreciation for:					
Utility systems	(8,897,996)	(344,745)	-	-	(9,242,741)
Equipment	(171,352)	(8,880)	-	-	(180,232)
	<u>(9,069,348)</u>	<u>(353,625)</u>	<u>-</u>	<u>-</u>	<u>(9,422,973)</u>
Total capital assets being depreciated, net	<u>10,287,808</u>	<u>(353,625)</u>	<u>-</u>	<u>-</u>	<u>9,934,183</u>
Business-type activities capital assets, net	<u>\$ 10,528,506</u>	<u>\$ (353,625)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,174,881</u>

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

Business-type activities	
Sewer	\$ 194,840
Water	<u>158,785</u>
	<u>\$ 353,625</u>

As of year-end, the City had outstanding construction and other capital asset purchase commitments totaling approximately \$117,000.

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, 2018:

	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	\$ 700,000	\$ -	\$ (125,000)	\$ 575,000	\$ 125,000
2018 Michigan Department of Transportation State Infrastructure Bank Loan, due in installments of \$136,182, including interest at 2.50% through August 2023	-	750,000	-	750,000	117,412
Subtotal - installment debt	700,000	750,000	(125,000)	1,325,000	242,412
Unamortized discount	(3,994)	-	1,160	(2,834)	(956)
Compensated absences	368,449	68,319	(76,513)	360,255	77,000
Total governmental activities	\$ 1,064,455	\$ 818,319	\$ (200,353)	\$ 1,682,421	\$ 318,456
Business-type activities					
Compensated absences	\$ 31,739	\$ 14,711	\$ (8,528)	\$ 37,922	\$ 37,922

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 242,412	\$ 38,584
2020	270,348	30,328
2021	273,357	21,514
2022	276,440	12,625
2023	129,601	6,561
2024	132,842	3,321
	<u>\$ 1,325,000</u>	<u>\$ 112,933</u>

The City was in compliance in all material respects with all bond indentures at June 30, 2018.

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

8. INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2018 is as follows:

Transfers out	Transfers In
	Nonmajor Governmental Funds
General fund	\$ 45,000
Major streets fund	70,000
	<u>\$ 115,000</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	\$ -	\$ -	\$ 318,769	\$ 318,769
Restricted:				
Highways and streets	-	639,768	192,167	831,935
Capital projects	-	750,000	-	750,000
Debt service	-	-	7,248	7,248
Total restricted	-	1,389,768	199,415	1,589,183
Committed:				
Capital projects	-	-	569,576	569,576
Unassigned	901,018	-	-	901,018
Total fund balances, governmental funds	\$ 901,018	\$ 1,389,768	\$ 1,087,760	\$ 3,378,546

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 \$36,789 from noncancelable operating leases for land use and hanger rental during the year ended June 30, 2018, which has been recorded as rental income. The future minimum rental income for these leases are as follows:

Year Ended June 30,	Amount
2019	\$ 35,816
2020	22,256
2021	21,266
2022	21,266
2023	846
2024-2028	4,230
2029-2033	4,230
2034	846
	<u>\$ 110,756</u>

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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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.

Employees Covered by Benefit Terms. At the December 31, 2017 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>26</u>
 Total membership	 <u><u>59</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. In addition, the employer may establish contribution rates to be paid by its covered employees.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2018:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - General	\$31,932/month	0.00%	Closed
02 - Police/Fire	\$10,173/month	3.50%	Closed
03 - Gnrl 12/12 & Pol/Fi 7/16	6.95%	0.00%	Open
20 - Pol/Fi aft 7/16	6.90%	7.00%	Open

Net Pension Liability. The City's net pension liability was measured as of December 31, 2017, 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, 2017 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, 2017 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 as of December 31, 2017 was 8.0%. 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, 2016	\$ 12,518,581	\$ 7,122,542	\$ 5,396,039
Changes for the year:			
Service cost	171,025	-	171,025
Interest	980,467	-	980,467
Differences between expected and actual experience	(115,185)	-	(115,185)
Employer contributions	-	498,734	(498,734)
Employee contributions	-	18,906	(18,906)
Net investment income	-	934,658	(934,658)
Benefit payments, including refunds of employee contributions	(696,521)	(696,521)	-
Administrative expense	-	(14,800)	14,800
Net changes	<u>339,786</u>	<u>740,977</u>	<u>(401,191)</u>
Balances at December 31, 2017	<u>\$ 12,858,367</u>	<u>\$ 7,863,519</u>	<u>\$ 4,994,848</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%)
\$ 6,508,464	\$ 4,994,848	\$ 3,715,132

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/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized pension expense of \$741,594. The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 64,659	\$ 92,148	\$ (27,489)
Changes in assumptions	244,600	-	244,600
Net difference between projected and actual earnings on pension plan investments	-	138,411	(138,411)
	<u>309,259</u>	<u>230,559</u>	<u>78,700</u>
Contributions subsequent to the measurement date	<u>261,406</u>	<u>-</u>	<u>261,406</u>
Total	<u>\$ 570,665</u>	<u>\$ 230,559</u>	<u>\$ 340,106</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2019. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	\$ 156,262
2020	134,097
2021	(114,104)
2022	<u>(97,555)</u>
Total	<u>\$ 78,700</u>

Payable to the Pension Plan. At June 30, 2018, the City had no amounts payable for contributions to the pension plan.

For the governmental activities, the net pension liability is generally liquidated by the general fund.

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

General Information About the Plan

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, 2018, 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><u>30</u></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 City permits retiring employees to continue theirs and their spouse on the employer-paid health insurance program at a 50% employee-paid rate until the retired employee reaches the age of 65. If a spouse reaches the age of 65 before the retiree, their coverage ends at that time.

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.

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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Concentrations. At June 30, 2018, 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, 2018 was comprised of approximately 23%, 23%, 27% and 27% in the short-term income, diversified bond portfolio, established market portfolio, and total market portfolio funds, respectively.

Rate of Return. For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 3.08 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%
	<u>100.0%</u>		
Inflation			2.50%
Risk factor adjustment			<u>-0.11%</u>
Investment rate of return			<u>4.50%</u>

Discount Rate. The blended discount rate used to measure the total OPEB liability was 3.97%. 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 2024. 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 2024, and discounting with the 20-year AA municipal index bond rate of 3.87% thereafter. This projection is done on a closed group basis, per GASB requirements.

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, 2018, 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 – 4.5%, 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 2018 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.

Health insurance premiums – 2018 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.

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 2018, were as follows:

Total OPEB liability	\$	98,644
Plan fiduciary net position		<u>39,523</u>
City's net OPEB liability	\$	<u>59,121</u>
Plan fiduciary net position as a percentage of the total OPEB liability		40.1%

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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, 2017	\$ 115,439	\$ 23,551	\$ 91,888
Changes for the year:			
Service cost	5,480	-	5,480
Interest	4,405	-	4,405
Differences between expected and actual experience	(25,084)	-	(25,084)
Employer contributions	-	16,596	(16,596)
Net investment income	-	1,049	(1,049)
Benefit payments, including refunds of employee contributions	(1,596)	(1,596)	-
Administrative expense	-	(77)	77
Net changes	(16,795)	15,972	(32,767)
Balances at June 30, 2018	\$ 98,644	\$ 39,523	\$ 59,121

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 3.97%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.97%) or 1% higher (4.97%) than the current rate:

1% Decrease (2.97%)	Current Discount Rate (3.97%)	1% Increase (4.97%)
\$ 69,005	\$ 59,121	\$ 50,788

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 Healthcare Trent Rate (5.0%)	1% Increase (6.0%)
\$ 50,215	\$ 59,121	\$ 69,349

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$7,096. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ -	\$ 23,412	\$ (23,412)
Net difference between projected and actual earnings on OPEB plan investments	145	-	145
	<u>\$ 145</u>	<u>\$ 23,412</u>	<u>\$ (23,267)</u>

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

Year Ended June 30,	Amount
2019	\$ (1,636)
2020	(1,636)
2021	(1,636)
2022	(1,635)
2023	(1,672)
2024-2032	<u>(15,052)</u>
Total	<u>\$ (23,267)</u>

Payable to the OPEB Plan. At June 30, 2018, the City had no amounts payable for contributions to the OPEB plan.

For the governmental activities, the net OPEB liability is generally liquidated by the general fund.

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, 2018, the corporation's billings for utilities approximated 35% of total combined billings in the Sewer and Water funds. This corporation also accounts for 31% of year-end accounts receivable.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

16. TAX ABATEMENTS

The City received reduced property tax revenues during 2018 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 \$19,000 in reduced City tax revenues for 2018.

17. NET INVESTMENT IN CAPITAL ASSETS

The components of net investment in capital assets as of June 30, 2018, were as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,333,250	\$ 240,698
Capital assets being depreciated, net	9,701,081	9,934,183
	<u>13,034,331</u>	<u>10,174,881</u>
Related debt:		
Bonds and loan payable	1,325,000	-
Unamortized bond discount	(2,834)	-
Unexpended proceeds of MDOT SIB loan	(750,000)	-
	<u>572,166</u>	<u>-</u>
Net investment in capital assets	<u>\$ 12,462,165</u>	<u>\$ 10,174,881</u>

18. RESTATEMENT

The City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result of this change, which also eliminated the prior reported net OPEB obligation, beginning net position of governmental activities was increased by \$31,757.



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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,			
	2018	2017	2016	2015
Total pension liability				
Service cost	\$ 171,025	\$ 158,884	\$ 150,483	\$ 150,506
Interest	980,467	941,665	885,802	855,187
Changes in benefit terms	-	(9,030)	-	-
Differences between expected and actual experience	(115,185)	78,624	43,707	-
Changes in assumptions	-	-	611,497	-
Benefit payments, including refunds of employee contributions	(696,521)	(679,937)	(643,796)	(625,376)
Other changes	-	(2,967)	-	-
Net change in total pension liability	<u>339,786</u>	<u>487,239</u>	<u>1,047,693</u>	<u>380,317</u>
Total pension liability, beginning of year	<u>12,518,581</u>	<u>12,031,342</u>	<u>10,983,649</u>	<u>10,603,332</u>
Total pension liability, end of year	<u>12,858,367</u>	<u>12,518,581</u>	<u>12,031,342</u>	<u>10,983,649</u>
Plan fiduciary net position				
Employer contributions	498,734	1,350,358	413,578	366,822
Employee contributions	18,906	6,698	-	-
Net investment income (loss)	934,658	652,394	(89,378)	375,832
Benefit payments, including refunds of employee contributions	(696,521)	(679,937)	(643,796)	(625,376)
Administrative expense	(14,800)	(12,907)	(13,238)	(13,755)
Net change in plan fiduciary net position	<u>740,977</u>	<u>1,316,606</u>	<u>(332,834)</u>	<u>103,523</u>
Plan fiduciary net position, beginning of year	<u>7,122,542</u>	<u>5,805,936</u>	<u>6,138,770</u>	<u>6,035,247</u>
Plan fiduciary net position, end of year	<u>7,863,519</u>	<u>7,122,542</u>	<u>5,805,936</u>	<u>6,138,770</u>
City's net pension liability	<u>\$ 4,994,848</u>	<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	61.2%	56.9%	48.3%	55.9%
Covered payroll	\$ 1,611,679	\$ 1,527,970	\$ 1,442,251	\$ 1,583,012
City's net pension liability as a percentage of covered payroll	309.9%	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
2018	\$ 12,858,367	\$ 7,863,519	\$ 4,994,848	61.2%	\$ 1,611,679	309.9%
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.

Changes in Assumptions. Based on the 2009-2013 Experience Study the following assumptions were changed starting with the December 31, 2015 valuation: (1) mortality table was adjusted to reflect longer lifetimes, (2) assumed annual rate of return of investment return, net of all expenses, was lowered from 8% to 7.75% (3) asset smoothing period was changed from 10 years to 5 years (4) the amortization period was moved to a fixed period amortization for the December 31, 2015 annual valuations.

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 Payroll	Contributions as Percentage of Covered Payroll
2018	\$ 522,492	\$ 522,492	\$ -	\$ 1,662,800	31.4%
2017	474,037	1,374,037	900,000	1,562,137	88.0%
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 (2018, based on the 12/31/2015 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	23 years
Asset valuation method	Open; 10-year smooth market
Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, 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, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
Mortality	2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. The mortality tables were first used for the December 31, 2015 actuarial valuations.

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,	
	2018	2017
Total OPEB liability		
Service cost	\$ 5,480	\$ 5,177
Interest	4,405	4,049
Differences between expected and actual experience	(25,084)	-
Benefit payments, including refunds of employee contributions	(1,596)	(1,596)
Net change in total OPEB liability	(16,795)	7,630
Total OPEB liability, beginning of year	115,439	107,809
Total OPEB liability, end of year	98,644	115,439
Plan fiduciary net position		
Employer contributions	16,596	11,596
Net investment income	1,049	966
Benefit payments, including refunds of employee contributions	(1,596)	(1,596)
Administrative expense	(77)	(33)
Net change in plan fiduciary net position	15,972	10,933
Plan fiduciary net position, beginning of year	23,551	12,618
Plan fiduciary net position, end of year	39,523	23,551
City's net OPEB liability	\$ 59,121	\$ 91,888
Plan fiduciary net position as a percentage of total OPEB liability	40.1%	20.4%
Covered-employee payroll	\$ 1,662,787	\$ 1,512,869
City's net OPEB liability as a percentage of covered-employee payroll	3.6%	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
2018	\$ 98,644	\$ 39,523	\$ 59,121	40.1%	\$ 1,662,787	3.6%
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.

CITY OF FREMONT, MICHIGAN

Required Supplementary Information
 Single-Employer Other Postemployment Benefit 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
2018	\$ 1,596	\$ 16,596	\$ 15,000	\$ 1,662,787	1.0%
2017	1,596	11,596	10,000	1,512,869	0.8%

Notes: 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 Investment Returns

Year Ended June 30,	Annual Money- Weighted Rate of Return, Net of Investment Expense
2018	3.08%
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, 2018

	Special Revenue		Debt Service	Capital Projects
	Local Streets	Local Improvement	Construction Bond	Capital Projects
Assets				
Cash and investments	\$ 176,122	\$ 269,829	\$ 7,248	\$ 331,747
Receivables:				
Special assessments	-	41,219	-	-
Due from other governments	21,251	45,000	-	-
Total assets	<u>\$ 197,373</u>	<u>\$ 356,048</u>	<u>\$ 7,248</u>	<u>\$ 331,747</u>
Liabilities				
Account payable	\$ 4,570	\$ -	\$ -	\$ -
Accrued liabilities	636	-	-	-
Unearned revenue	-	-	-	77,000
Total liabilities	<u>5,206</u>	<u>-</u>	<u>-</u>	<u>77,000</u>
Deferred inflow of resources				
Unavailable revenue - special assessments receivable	-	41,219	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	192,167	-	7,248	-
Committed	-	314,829	-	254,747
Total fund balances	<u>192,167</u>	<u>314,829</u>	<u>7,248</u>	<u>254,747</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 197,373</u>	<u>\$ 356,048</u>	<u>\$ 7,248</u>	<u>\$ 331,747</u>



Permanent Cemetery Perpetual Care	Totals
\$ 318,769	\$ 1,103,715
-	41,219
-	66,251
<u>\$ 318,769</u>	<u>\$ 1,211,185</u>
\$ -	\$ 4,570
-	636
-	77,000
<u>-</u>	<u>82,206</u>
<u>-</u>	<u>41,219</u>
318,769	318,769
-	199,415
-	569,576
<u>318,769</u>	<u>1,087,760</u>
<u>\$ 318,769</u>	<u>\$ 1,211,185</u>

CITY OF FREMONT, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue		Debt Service	Capital Projects
	Local Streets	Local Improvement	Construction Bond	Capital Projects
Revenues				
Special assessments	\$ -	\$ 54,485	\$ -	\$ -
Intergovernmental:				
State	163,467	-	-	34,488
Local	-	-	149,848	198,880
Charges for services	-	-	-	-
Investment earnings	1,777	4,145	68	706
Total revenues	165,244	58,630	149,916	234,074
Expenditures				
Current:				
Public works	271,339	-	-	7,515
Community and economic development	-	18,245	-	-
Debt service:				
Principal	-	-	125,000	-
Interest and fees	-	-	25,404	-
Capital outlay	-	-	-	20,000
Total expenditures	271,339	18,245	150,404	27,515
Revenues over (under) expenditures	(106,095)	40,385	(488)	206,559
Other financing sources				
Transfers in	70,000	-	-	45,000
Net change in fund balances	(36,095)	40,385	(488)	251,559
Fund balances, beginning of year	228,262	274,444	7,736	3,188
Fund balances, end of year	\$ 192,167	\$ 314,829	\$ 7,248	\$ 254,747



Permanent	
Cemetery Perpetual Care	Totals
\$ -	\$ 54,485
-	197,955
-	348,728
9,125	9,125
2,708	9,404
<u>11,833</u>	<u>619,697</u>
-	278,854
-	18,245
-	125,000
-	25,404
-	20,000
<u>-</u>	<u>467,503</u>
11,833	152,194
<u>-</u>	<u>115,000</u>
11,833	267,194
<u>306,936</u>	<u>820,566</u>
<u>\$ 318,769</u>	<u>\$ 1,087,760</u>

CITY OF FREMONT, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Local Streets Special Revenue Fund

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 179,000	\$ 179,000	\$ 163,467	\$ (15,533)
Investment earnings	175	175	1,777	1,602
Total revenues	179,175	179,175	165,244	(13,931)
Expenditures				
Current:				
Public works:				
Routine maintenance	433,989	243,989	245,253	1,264
Traffic services	2,315	2,315	2,146	(169)
Snow & ice control	26,150	26,150	23,940	(2,210)
Total expenditures	462,454	272,454	271,339	(1,115)
Revenues under expenditures	(283,279)	(93,279)	(106,095)	(12,816)
Other financing sources				
Transfers in	70,000	70,000	70,000	-
Net change in fund balance	(213,279)	(23,279)	(36,095)	(12,816)
Fund balance, beginning of year	228,262	228,262	228,262	-
Fund balance, end of year	\$ 14,983	\$ 204,983	\$ 192,167	\$ (12,816)

CITY OF FREMONT, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance
 Budget and Actual - Local Improvement Special Revenue Fund
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 30,000	\$ 30,000	\$ 54,485	\$ 24,485
Investment earnings	3,800	3,800	4,145	345
Total revenues	33,800	33,800	58,630	24,830
Expenditures				
Current:				
Community and economic development	18,245	18,245	18,245	-
Net change in fund balance	15,555	15,555	40,385	24,830
Fund balance, beginning of year	274,444	274,444	274,444	-
Fund balance, end of year	\$ 289,999	\$ 289,999	\$ 314,829	\$ 24,830