

City of Fremont,
Michigan



Year Ended
June 30, 2012

Financial
Statements

CITY OF FREMONT, MICHIGAN

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CITY OF FREMONT, MICHIGAN

List of Elected and Appointed Officials For the Year Ended June 30, 2012

Elected Officials

Mayor	James Rynberg
Mayor Pro Tem	James Breinling
Council Members	Richard Conley Jane Drake Don Henry

Appointed Officials

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

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INDEPENDENT AUDITORS' REPORT

October 29, 2012

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Schedules of Funding Progress and Employer Contributions 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in black ink that reads "Rehmann Johnson". The signature is written in a cursive style with a large, prominent initial 'R'.

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's (City) basic financial statements. This report consists of a series of financial statements for the City as of June 30, 2012. 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 Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City operations in more detail than the government-wide financial statements.

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

Financial Highlights

- At the close of the fiscal year, the City of Fremont had total assets of \$33,420,071 and total liabilities of \$2,157,935, leaving net assets of \$31,262,136, a decrease of 1.57% in the City's overall net assets. In addition, the City's component units had total assets of \$268,267 and total liabilities of \$6,022, leaving net assets of \$262,245.
- Of the total \$31,262,136 in primary government net assets, the City may use \$5,023,661 (unrestricted net assets) to meet the ongoing obligations to citizens and creditors.
- Total revenues, including all program and general revenues, were \$5,346,028, comprised of governmental revenues of \$4,020,804 and business-type revenues of \$1,325,224. Revenues for the component units totaled \$528,255.
- Total expenses for all of the City's programs were \$5,843,826. Of that total, the governmental expenses were \$4,699,562 and the business-type expenses were \$1,144,264. Expenses for the component units were \$506,832.
- Despite State-Shared Revenue cuts annually over the last five years, stagnant taxable values over the past few years and increasing operating costs, the City was able to maintain the number, type and current levels of City services to its citizens with no increase in its property tax levy.
- Many municipal government financial advisors recommend maintaining unrestricted fund balances at approximately 20-25% of annual operating costs to allow for sufficient working capital and emergency funding throughout the upcoming year. The City of Fremont has had to expend some of its General Fund fund balance over the last few years, but still maintained an estimated 24.9% fund balance going into Fiscal Year 2012/13.

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.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the fiscal year. The City reports all changes in net assets when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

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 Assets 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 shown in a separate column on the Statement of Net Assets and 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 to finance capital projects in specific commercial and industrial areas of the City.

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

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

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

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Major Streets, Local Improvement and Capital Projects 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 have been provided herein for the general fund and major special revenue funds to demonstrate compliance with those budgets.

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

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 (RSI) and other supplementary information. RSI includes this management's discussion and analysis. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the RSI Schedules of Funding Progress and Employer Contributions as other supplementary information.

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the City as a whole. The following table provides a summary of the City's net assets. As of June 30, 2012, the City's net assets from governmental activities totaled \$17,534,901 and \$13,727,235 from business-type activities, for a government-wide net asset total of \$31,262,136. The City's component unit net assets totaled \$262,245.

In examining the composition of net assets, 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 assets for governmental activities actually depict a balance of \$1,594,695. This represents the amount of discretionary resources that can be used for general governmental operations.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Governmental activities current and other assets increased by \$39,978 and capital assets decreased by \$531,987 as the City undertook several road improvement and other infrastructure projects this year. Correspondingly, the net asset category of invested in capital assets, net of related debt decreased by \$434,139. Current liabilities increased due to payables at year-end on some of the capital infrastructure projects.

Business-type assets and liabilities remained relatively consistent with the prior year as the City undertook a couple of infrastructure improvement projects for which it was able to pay out of current year operations.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 2,950,307	\$ 2,910,329	\$ 3,481,847	\$ 3,857,286	\$ 6,432,154	\$ 6,767,615
Capital assets, net	16,689,648	17,221,635	10,298,269	9,867,813	26,987,917	27,089,448
Total assets	19,639,955	20,131,964	13,780,116	13,725,099	33,420,071	33,857,063
Other liabilities	310,245	283,688	40,813	162,966	351,058	446,654
Long-term liabilities	1,794,809	1,634,617	12,068	15,858	1,806,877	1,650,475
Total liabilities	2,105,054	1,918,305	52,881	178,824	2,157,935	2,097,129
Net assets:						
Invested in capital assets, net of related debt	15,426,861	15,861,000	10,298,269	9,867,813	25,725,130	25,728,813
Restricted	513,345	590,240	-	-	513,345	590,240
Unrestricted	1,594,695	1,762,419	3,428,966	3,678,462	5,023,661	5,440,881
Total net assets	\$17,534,901	\$18,213,659	\$13,727,235	\$13,546,275	\$31,262,136	\$31,759,934

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 assets.

	Change in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 879,044	\$ 735,716	\$ 1,301,500	\$ 1,079,785	\$ 2,180,544	\$ 1,815,501
Operating grants	462,547	457,721	22,224	29,583	484,771	487,304
Capital grants	604,866	941,323	1,500	3,000	606,366	944,323
General revenues:						
Property taxes	1,611,140	1,675,445	-	-	1,611,140	1,675,445
Franchise fees	39,557	40,962	-	-	39,557	40,962
Unrestricted grants	349,709	360,211	-	-	349,709	360,211
Gain on sale of capital assets	43,766	6,500	-	-	43,766	6,500
Unrestricted investment earnings	25,333	38,216	-	-	25,333	38,216
Miscellaneous	4,842	5,936	-	-	4,842	5,936
Total revenues	4,020,804	4,262,030	1,325,224	1,112,368	5,346,028	5,374,398
Expenses:						
General government	775,581	953,281	-	-	775,581	953,281
Public safety	1,383,804	1,431,395	-	-	1,383,804	1,431,395
Public works	2,142,708	2,176,468	-	-	2,142,708	2,176,468
Community and economic development	106,156	112,671	-	-	106,156	112,671
Cultural and recreation	235,659	203,867	-	-	235,659	203,867
Interest on long-term debt	55,654	60,284	-	-	55,654	60,284
Sewer	-	-	555,703	524,450	555,703	524,450
Water	-	-	588,561	547,061	588,561	547,061
Total expenses	4,699,562	4,937,966	1,144,264	1,071,511	5,843,826	6,009,477
Change in net assets, before transfers	(678,758)	(675,936)	180,960	40,857	(497,798)	(635,079)
Transfers	-	(44,943)	-	44,943	-	-
Change in net assets	(678,758)	(720,879)	180,960	85,800	(497,798)	(635,079)
Net assets:						
Beginning of year	18,213,659	18,934,538	13,546,275	13,460,475	31,759,934	32,395,013
End of year	<u>\$17,534,901</u>	<u>\$18,213,659</u>	<u>\$13,727,235</u>	<u>\$13,546,275</u>	<u>\$31,262,136</u>	<u>\$31,759,934</u>

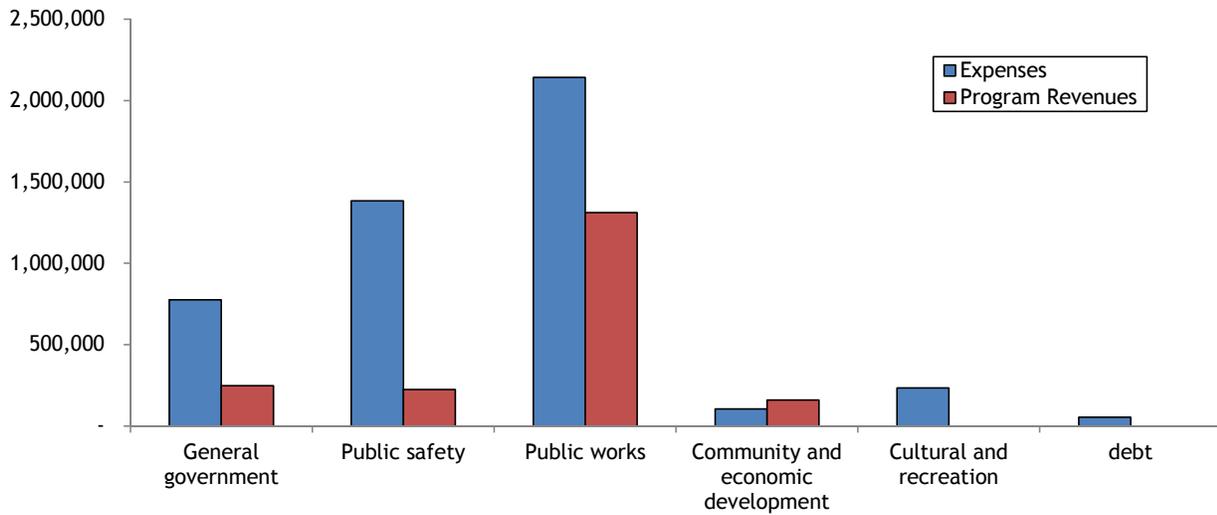
CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities decreased the City's net assets by \$678,758. Key elements of this decrease are as follows:

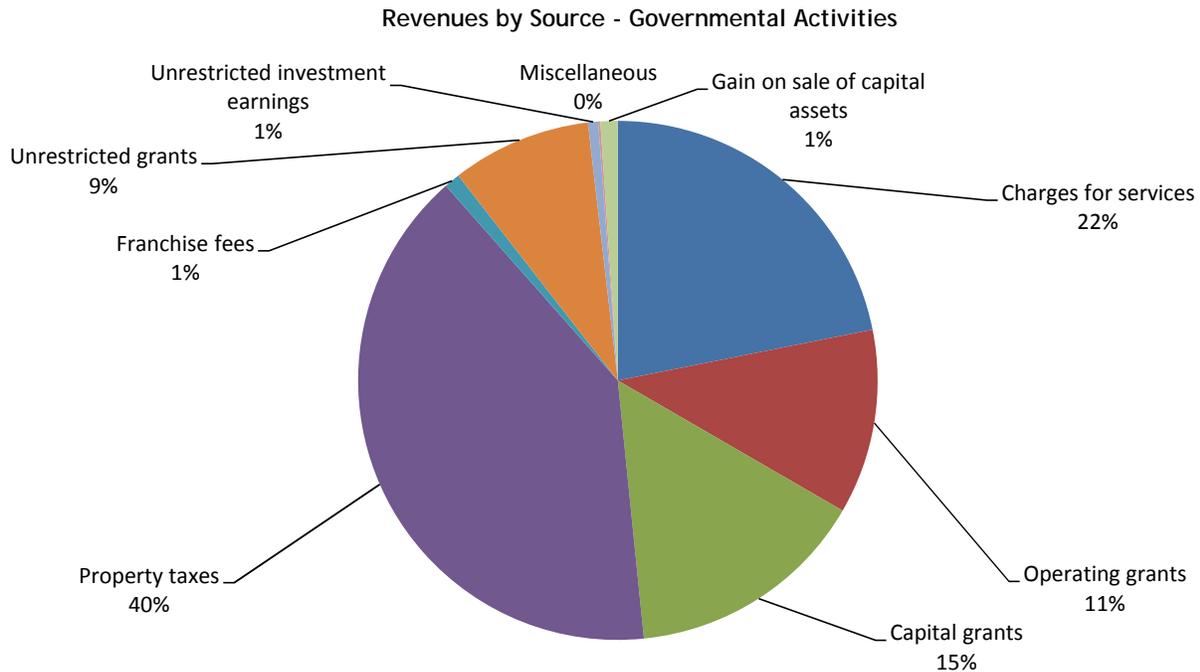
- Although the City Charter permits up to 20.0 mills, the millage rate has remained at 14.0 mills for the past fourteen years. So with overall property values decreasing, the tax revenues are also decreasing.
- The City established an Agricultural Renaissance Zone for Gerber Products warehousing and production sites, which lowered property tax revenues for the City by more than \$200,000. Property tax revenues from the remaining parcels remained stagnant due to decreased taxable values on some properties resulting from the poor economy, offsetting new construction and values added to the roll.
- Unfortunately, interest rates have remained stagnant, causing investment earnings to remain low, following last fiscal year's 50% decrease. Another factor was that many projects were completed during the year, leaving fewer funds to invest.

Expenses and Program Revenues - Governmental Activities



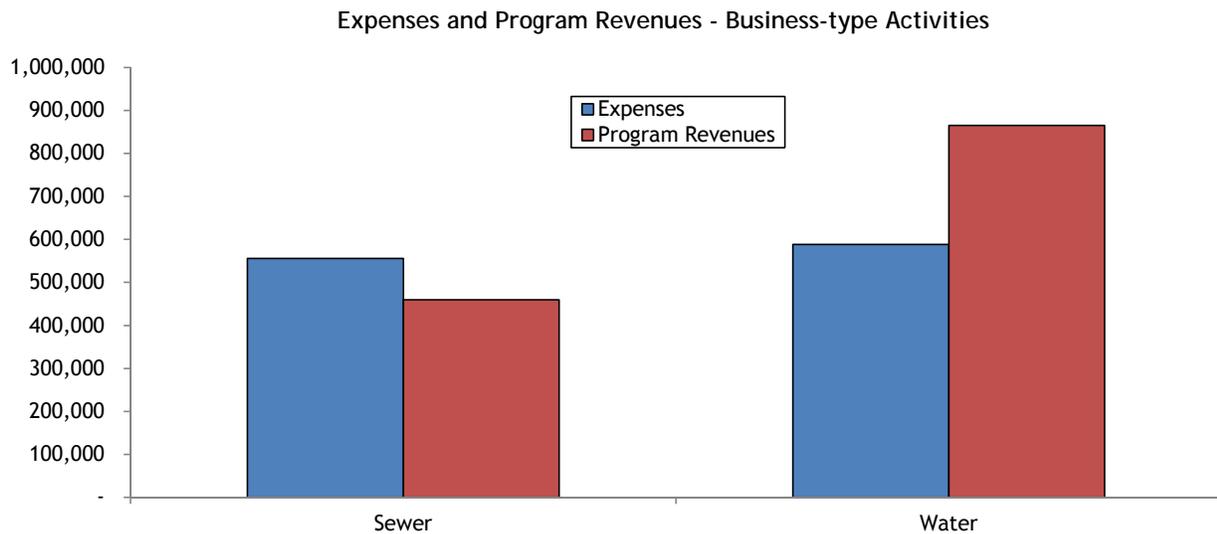
CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis



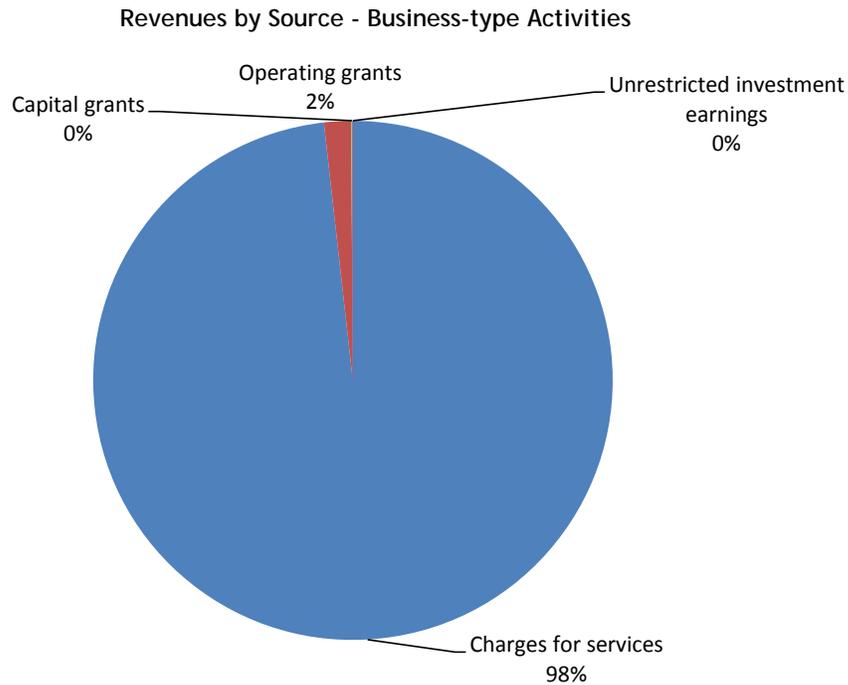
Business-type Activities. Business-type activities increased the City's net assets by \$180,960. Key elements of this increase are as follows:

- Overall business-type revenues increased 19% and expenses only increased 7%, so the City experienced a 1.3% increase in net assets of \$180,960. Utility rates were increased just prior to the fiscal year beginning, in planning for several large infrastructure improvements to the city's system.
- Expenses in by the Water and Sewer Funds increased by 7.6% and 6.0% respectively, whereas watermain and sanitary sewer line repairs and maintenance costs continue to increase.



CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis



Financial Analysis of the Government's Funds

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

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

At the end of the 2012 fiscal year, the governmental funds reported a combined fund balance of \$1,849,448. Of this number, \$580,970 represents the General Fund's unassigned fund balance and \$167,140 represents assigned fund balance for the next fiscal year's use. The unassigned balance represents what is available for spending at the City's discretion. The remainder of the fund balance is assigned to indicate that it is not available for new spending because it has already been assigned to liquidate contracts and purchase orders, advances, cemetery perpetual care, debt service, capital projects and other miscellaneous reservations.

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 fund balance of \$769,301, a decrease of \$23,278 (2.9%) from fiscal year 2010/11. The health of the General Fund may be measured by the ratio of General Fund balance to budgeted annual General Fund expenditures. General Fund fund balance on June 30, 2012 represents 25.0% of the budgeted fiscal year 2012/13 General Fund expenditures.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Overall and in comparison to the previous year, General Fund revenues increased by \$22,291 and expenditures decreased by \$128,911. Revenues increased mainly because of an annual inflationary increase in refuse and recycling rates. Expenditures decreased due to a reduction in General Fund capital outlay expenditures and public safety.

Although state shared revenues (gas and weight tax, etc.) remained stagnant, both Major Streets and Local Streets funds financed reconstruction and resurfacing projects that were needed.

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

Proprietary Funds. The City's proprietary funds provide the same type of information found in the governmental financial statements, but in more detail. For the year ended June 30, 2012, net assets of the Sewer Fund decreased by \$87,913 and net assets of the Water Fund increased by \$283,033.

Although the Sewer Fund experienced a 4.5% increase in revenues, the fund still experienced a decrease in net assets due to depreciation expense. The Fund remains healthy as shown on the Statement of Cash Flows, whereas this statement indicates, sewer operations still have an available cash and investments at year end of \$1,523,849.

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.

General Fund 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:

- MHSDA withdrew a \$112,234 capital project grant when a private developer opted not to invest in his property, so grant revenue and project costs were reduced to reflect the change.
- The City transferred \$200,000 from the Local Improvement Fund to help finance the new Cedar Street and Sullivan Avenue extension project.
- The City delayed the \$90,000 MDNR Grant request for an Ice Rink Pavilion till the next fiscal year.
- Following the light-winter season, the Major and Local Street Budgets were amended to reflect a reduction in snow-removal costs by \$28,500.
- The City also reduced tax revenues another \$65,294 from the increased tax tribunal filings, due to declining property valuations.
- The City amended the General Fund budget to reflect a \$100,000 reduction in anticipated grant funds to help cover capital infrastructure costs in the Capital Project Fund.
- There were various budget amendments to reflect capital projects extending in to the next fiscal year, which is a continuing problem since the fiscal year ends in the middle of the summer construction season.
- The City did comply with the State Governor's EVIP State Revenue Sharing Program to receive an additional \$35,000 in revenue sharing.
- The City reduced the annual transfer to Fremont Public Schools for Community Recreation by another \$10,000, pending discussions to assemble an area Recreation Authority.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

As a result of unexpected changes in revenues and expenditures in the General Fund, the City has variations between budgeted items and actual. The following comments summarize the major variations (over \$5,000) from the final budget to actual expenditures:

- The City sold the Downtown building located at 10 W. Main Street for \$35,000.
- Employee fringe benefits were over budget by \$18,101 because of unexpected higher increases than usual in health care and retirement expenses.

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, 2012 totaled \$26,987,917 (net of accumulated depreciation.) Investments in capital assets include land and land improvements, buildings and improvements, infrastructure (including utility systems), furniture and equipment.

Major projects included finishing the extension of Cedar Street from Division to Gerber Avenue, extension of Sullivan Avenue south to the new High School, expansion of the Fremont Lake Park Campground from 66 to 98 sites, extension of the Town & Country Path with the Lake Park, street reconstruction and resurfacing, sanitary sewermain replacement in the SE Downtown alley and walkways and replacement of a few Municipal vehicles.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,996,871	\$ 2,996,871	\$ 240,698	\$ 240,698	\$ 3,237,569	\$ 3,237,569
Construction in progress	350,092	46,308	44,331	-	394,423	46,308
Land improvements	877,609	800,019	-	-	877,609	800,019
Buildings and improvements	2,236,171	2,418,215	-	-	2,236,171	2,418,215
Utility systems	-	-	9,999,421	9,610,275	9,999,421	9,610,275
Vehicles and equipment	745,776	860,108	13,819	16,840	759,595	876,948
Infrastructure	9,483,129	10,100,114	-	-	9,483,129	10,100,114
Total capital assets, net	\$16,689,648	\$17,221,635	\$10,298,269	\$ 9,867,813	\$26,987,917	\$27,089,448

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Long-Term Debt. As of June 30, 2012, the City had outstanding long-term liabilities of \$1,806,877 consisting of a capital improvement bond, fire truck loan and compensated absences. Long-term liabilities increased \$156,402 as the City entered into a new debt agreement related to the purchase of a fire truck.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital improvement bonds	\$ 1,275,000	\$ 1,375,000	\$ -	\$ -	\$ 1,275,000	\$ 1,375,000
Fire truck loan	240,000	-	-	-	240,000	-
Unamortized discount	(12,213)	(14,365)	-	-	(12,213)	(14,365)
Compensated absences	292,022	273,982	12,068	15,858	304,090	289,840
Total long-term debt	\$ 1,794,809	\$ 1,634,617	\$ 12,068	\$ 15,858	\$ 1,806,877	\$ 1,650,475

There is no outstanding long-term debt in any of the City's discretely presented component units.

Economic Factors and Next Year's Budget and Rates

The general operating budget for fiscal year 2012-13 was based on the continuation of the existing 14 mill property tax levy for the last fourteen years. 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 fourteen years. If needed, an additional 6 mills (less a small Headlee millage rollback) could generate an additional estimated \$800,000 for general operating purposes.

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

The City has responded to the economic downturn and pressure on revenues by trying to keep program expenses constant and increasing some user fees. The budget for fiscal year 2012-13 reflects both revenue and expenditure reductions in several departments.

The General Fund budget for fiscal year 2012-13 decreased by \$394,000. There are plans to decrease the General Fund fund balance by \$167,140 to offset increased operational costs, decreased State Revenue Sharing, and finish much needed capital projects.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

For the City's business-type activities, the City has budgeted to expend accumulated resources of \$461,555 to fund additional water and sewer distribution/collection line projects in coordination with street projects. The budget fiscal year 2011-12 implemented a water and sanitary sewer rate increase to keep up with future system repairs and expansions. Both increasing, the Water Fund budget includes \$330,000 in capital construction and the Sewer Fund budget includes \$200,000 in capital construction.

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 Bryan Gruesbeck or Finance Director/City Clerk 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 bgruesbeck@cityoffremont.net or tblake@cityoffremont.net.

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BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, MICHIGAN

Statement of Net Assets June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 2,311,436	\$ 3,082,116	\$ 5,393,552	\$ 151,936
Receivables	533,922	378,883	912,805	116,331
Internal balances	(14,460)	14,460	-	-
Other assets	119,409	6,388	125,797	-
Capital assets not being depreciated	3,346,963	285,029	3,631,992	-
Capital assets being depreciated, net	13,342,685	10,013,240	23,355,925	-
Total assets	19,639,955	13,780,116	33,420,071	268,267
Liabilities				
Accounts payable and accrued expenses	281,650	40,813	322,463	6,022
Unearned revenue	16,029	-	16,029	-
Long-term debt:				
Due within one year	255,543	-	255,543	-
Due in more than one year	1,539,266	12,068	1,551,334	-
Net other postemployment benefits obligation	12,566	-	12,566	-
Total liabilities	2,105,054	52,881	2,157,935	6,022
Net assets				
Invested in capital assets, net of related debt	15,426,861	10,298,269	25,725,130	-
Restricted for:				
Streets and highways	145,351	-	145,351	-
Debt service	25,448	-	25,448	-
Perpetual care	342,546	-	342,546	-
Unrestricted	1,594,695	3,428,966	5,023,661	262,245
Total net assets	\$ 17,534,901	\$ 13,727,235	\$ 31,262,136	\$ 262,245

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, 2012

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	\$ 775,581	\$ 240,228	\$ 8,609	\$ -	\$ (526,744)
Public safety	1,383,804	203,070	22,567	-	(1,158,167)
Public works	2,142,708	309,127	397,567	604,866	(831,148)
Community and economic development	106,156	126,619	33,804	-	54,267
Culture and recreation	235,659	-	-	-	(235,659)
Interest on long-term debt	55,654	-	-	-	(55,654)
Total governmental activities	4,699,562	879,044	462,547	604,866	(2,753,105)
Business-type activities:					
Sewer	555,703	448,376	11,496	-	(95,831)
Water	588,561	853,124	10,728	1,500	276,791
Total business-type activities	1,144,264	1,301,500	22,224	1,500	180,960
Total primary government	\$ 5,843,826	\$ 2,180,544	\$ 484,771	\$ 606,366	\$ (2,572,145)
Component units					
Downtown Development Authority	\$ 472,533	\$ 16,730	\$ 139,737	\$ -	\$ (316,066)
Local Development Finance Authority	25,420	-	-	-	(25,420)
Fremont Community Joint Planning Commission	8,879	-	6,985	-	(1,894)
Total component units	\$ 506,832	\$ 16,730	\$ 146,722	\$ -	\$ (343,380)

continued...

CITY OF FREMONT, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (2,753,105)	\$ 180,960	\$ (2,572,145)	\$ (343,380)
General revenues:				
Property taxes	1,611,140	-	1,611,140	356,500
Franchise fees	39,557	-	39,557	-
Grants and contributions not restricted to specific programs	349,709	-	349,709	-
Gain on sale of capital assets	43,766	-	43,766	-
Unrestricted interest earnings	25,333	-	25,333	2,301
Miscellaneous	4,842	-	4,842	6,002
Total general revenues	2,074,347	-	2,074,347	364,803
Change in net assets	(678,758)	180,960	(497,798)	21,423
Net assets, beginning of year	18,213,659	13,546,275	31,759,934	240,822
Net assets, end of year	\$ 17,534,901	\$ 13,727,235	\$ 31,262,136	\$ 262,245

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, 2012

	General Fund	Major Streets	Local Improvement
Assets			
Cash and investments	\$ 691,124	\$ 57,315	\$ 119,532
Receivables:			
Accounts	93,690	-	-
Special assessments	-	-	170,111
Due from other governments	59,138	37,573	-
Prepaid items	21,191	-	-
Total assets	\$ 865,143	\$ 94,888	\$ 289,643
Liabilities			
Accounts payable	\$ 57,674	\$ -	\$ -
Accrued liabilities	22,139	843	-
Deferred revenue	16,029	-	170,111
Total liabilities	95,842	843	170,111
Fund balances (Note 12)			
Nonspendable	21,191	-	-
Restricted	-	94,045	-
Committed	-	-	119,532
Assigned	167,140	-	-
Unassigned	580,970	-	-
Total fund balances	769,301	94,045	119,532
Total liabilities and fund balances	\$ 865,143	\$ 94,888	\$ 289,643



Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 456,773	\$ 415,671	\$ 1,740,415
-	-	93,690
-	-	170,111
159,992	13,418	270,121
-	-	21,191
<u>\$ 616,765</u>	<u>\$ 429,089</u>	<u>\$ 2,295,528</u>
\$ 178,872	\$ -	\$ 236,546
-	412	23,394
-	-	186,140
<u>178,872</u>	<u>412</u>	<u>446,080</u>
-	342,546	363,737
-	84,978	179,023
437,893	1,153	558,578
-	-	167,140
-	-	580,970
<u>437,893</u>	<u>428,677</u>	<u>1,849,448</u>
<u>\$ 616,765</u>	<u>\$ 429,089</u>	<u>\$ 2,295,528</u>

CITY OF FREMONT, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2012

Fund balances - total governmental funds	\$ 1,849,448
Amounts reported for <i>governmental activities</i> in the statement of net assets 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	3,346,963
Capital assets being depreciated, net	12,184,217
Bond issuance costs are not financial resources and therefore are not reported in the funds.	
Unamortized bond issuance costs	16,818
Special assessment revenue is not recognized until it is receivable in the current period and, therefore, is shown as deferred revenue in the governmental funds.	170,111
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 assets in the internal service fund	1,557,403
Net assets of business-type activities accounted for in the internal service fund	(14,460)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(1,262,787)
Compensated absences payable	(292,022)
Net other postemployment benefits obligation	(12,566)
Accrued interest on bonds payable	(8,224)
Net assets of governmental activities	<u>\$ 17,534,901</u>

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

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CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2012

	General Fund	Major Streets	Local Improvement
Revenues			
Property taxes	\$ 1,561,258	\$ -	\$ -
Special assessments	-	-	45,492
Licenses and permits	41,552	-	-
Intergovernmental:			
State	367,447	271,511	-
Local	5,000	-	-
Charges for services	601,307	-	-
Fines and forfeitures	24,059	-	-
Investment earnings	25,333	658	26,486
Other	443,547	67,876	-
Total revenues	3,069,503	340,045	71,978
Expenditures			
Current:			
General government	576,105	-	-
Public safety	1,157,176	-	-
Public works	644,224	127,143	-
Community and economic development	70,875	-	16,730
Culture and recreation	142,977	-	-
Other governmental functions	499,115	-	-
Debt service:			
Principal	-	-	-
Interest and fees	580	-	-
Capital outlay	3,590	-	-
Total expenditures	3,094,642	127,143	16,730
Revenues over (under) expenditures	(25,139)	212,902	55,248
Other financing sources (uses)			
Proceeds from sale of capital assets	28,251	-	-
Transfers in	223,610	-	-
Transfers out	(250,000)	(260,500)	(200,000)
Total other financing sources (uses)	1,861	(260,500)	(200,000)
Net change in fund balances	(23,278)	(47,598)	(144,752)
Fund balances, beginning of year	792,579	141,643	264,284
Fund balances, end of year	\$ 769,301	\$ 94,045	\$ 119,532



Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,561,258
-	-	45,492
-	-	41,552
159,992	96,162	895,112
82,244	185,368	272,612
-	10,813	612,120
-	-	24,059
1,909	3,089	57,475
-	-	511,423
<u>244,145</u>	<u>295,432</u>	<u>4,021,103</u>
-	-	576,105
-	-	1,157,176
-	77,501	848,868
-	-	87,605
-	-	142,977
-	-	499,115
-	100,000	100,000
-	50,604	51,184
849,489	-	853,079
<u>849,489</u>	<u>228,105</u>	<u>4,316,109</u>
<u>(605,344)</u>	<u>67,327</u>	<u>(295,006)</u>
-	-	28,251
609,250	106,250	939,110
-	(228,610)	(939,110)
<u>609,250</u>	<u>(122,360)</u>	<u>28,251</u>
3,906	(55,033)	(266,755)
433,987	483,710	2,116,203
<u>\$ 437,893</u>	<u>\$ 428,677</u>	<u>\$ 1,849,448</u>

CITY OF FREMONT, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
To Change in Net Assets of Governmental Activities
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (266,755)

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.

Capital outlay	641,994
Depreciation expense	(1,032,157)
Proceeds from sale of capital assets	(28,251)
Gain on sale of capital assets	64

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 in internal service funds	(79,848)
Operating income from business-type activities in internal service funds	14,160
Interest income from governmental activities in internal service funds	1,427
Gain on sale of capital assets from governmental activities in internal service funds	43,702

Governmental funds recognize special assessments as revenue as they become current; however, they are recognized in full when levied in the statement of net assets. (45,492)

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

Principal payments on long-term debt	100,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Net other postemployment benefits cost	(5,092)
Change in compensated absences	(18,040)
Amortization of bond discount	(2,152)
Amortization of bond issuance costs	(2,963)
Change in accrued interest payable	645

Change in net assets of governmental activities \$ (678,758)

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 1,573,110	\$ 1,549,110	\$ 1,561,258	\$ 12,148
Licenses and permits	43,300	43,300	41,552	(1,748)
Intergovernmental:				
State	312,400	371,884	367,447	(4,437)
Local	5,000	5,000	5,000	-
Charges for services	595,800	619,800	601,307	(18,493)
Fines and forfeitures	22,500	22,500	24,059	1,559
Investment earnings	20,000	20,000	25,333	5,333
Other	501,950	397,950	443,547	45,597
Total revenues	3,074,060	3,029,544	3,069,503	39,959
Expenditures				
Current:				
General government:				
Legislative	11,400	11,780	12,002	222
Executive	85,250	88,585	84,653	(3,932)
Elections	4,600	6,900	7,065	165
General administration	29,500	20,500	20,197	(303)
Clerk	104,200	108,770	101,125	(7,645)
Treasurer	64,400	67,675	64,411	(3,264)
Board of review	1,300	1,300	780	(520)
Assessor	49,780	50,770	49,766	(1,004)
Cemetery	95,450	99,090	86,900	(12,190)
Attorney	20,000	15,000	15,345	345
Building and grounds	98,500	99,510	99,912	402
Public relations	33,000	33,000	33,949	949
Total general government	597,380	602,880	576,105	(26,775)
Public safety :				
Police department	880,475	919,789	887,653	(32,136)
Fire department	281,145	273,366	269,523	(3,843)
Total public safety	1,161,620	1,193,155	1,157,176	(35,979)
Public works:				
Streets, street lighting and sidewalks	435,650	424,925	387,307	(37,618)
Sanitation	263,000	264,610	256,917	(7,693)
Total public works	698,650	689,535	644,224	(45,311)

continued...

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Current (continued):				
Community and economic development:				
Planning and zoning	\$ 40,200	\$ 45,240	\$ 43,482	\$ (1,758)
Other	28,900	29,840	27,393	(2,447)
Total community and economic development	<u>69,100</u>	<u>75,080</u>	<u>70,875</u>	<u>(4,205)</u>
Culture and recreation:				
Parks and recreation	<u>113,000</u>	<u>143,835</u>	<u>142,977</u>	<u>(858)</u>
Other governmental functions:				
Employee fringe benefits and other items	394,340	397,675	415,769	18,094
Airport operations	58,100	53,665	49,105	(4,560)
Parking systems	30,000	30,000	30,569	569
Tax tribunal refunds ordered	10,000	4,000	3,672	(328)
Total other governmental functions	<u>492,440</u>	<u>485,340</u>	<u>499,115</u>	<u>13,775</u>
Debt service:				
Interest and fees	<u>580</u>	<u>580</u>	<u>580</u>	<u>-</u>
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>3,590</u>	<u>(6,410)</u>
Total expenditures	<u>3,142,770</u>	<u>3,200,405</u>	<u>3,094,642</u>	<u>(105,763)</u>
Revenues over (under) expenditures	<u>(68,710)</u>	<u>(170,861)</u>	<u>(25,139)</u>	<u>145,722</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	28,250	28,251	1
Transfers in	226,000	226,000	223,610	(2,390)
Transfers out	<u>(350,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(124,000)</u>	<u>4,250</u>	<u>1,861</u>	<u>(2,389)</u>
Net change in fund balance	(192,710)	(166,611)	(23,278)	143,333
Fund balance, beginning of year	<u>792,579</u>	<u>792,579</u>	<u>792,579</u>	<u>-</u>
Fund balance, end of year	<u>\$ 599,869</u>	<u>\$ 625,968</u>	<u>\$ 769,301</u>	<u>\$ 143,333</u>

concluded

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Major Streets Special Revenue Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 275,000	\$ 275,000	\$ 271,511	\$ (3,489)
Investment earnings	1,000	1,000	658	(342)
Other	56,000	56,000	67,876	11,876
Total revenues	<u>332,000</u>	<u>332,000</u>	<u>340,045</u>	<u>8,045</u>
Expenditures				
Current:				
Public works:				
Construction	50,000	35,000	34,919	(81)
Routine maintenance	44,500	51,000	45,483	(5,517)
Traffic services	12,500	12,500	14,807	2,307
Snow & ice control	30,000	13,500	13,285	(215)
Trunkline maintenance	59,500	59,500	18,649	(40,851)
Total expenditures	<u>196,500</u>	<u>171,500</u>	<u>127,143</u>	<u>(44,357)</u>
Revenues over expenditures	135,500	160,500	212,902	52,402
Other financing uses				
Transfers out	<u>(260,500)</u>	<u>(260,500)</u>	<u>(260,500)</u>	<u>-</u>
Net change in fund balance	<u>(125,000)</u>	<u>(100,000)</u>	<u>(47,598)</u>	<u>52,402</u>
Fund balance, beginning of year	<u>141,643</u>	<u>141,643</u>	<u>141,643</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 16,643</u></u>	<u><u>\$ 41,643</u></u>	<u><u>\$ 94,045</u></u>	<u><u>\$ 52,402</u></u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Local Improvement Special Revenue Fund For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 45,000	\$ 45,000	\$ 45,492	\$ 492
Investment earnings	8,080	8,080	26,486	18,406
Total revenues	53,080	53,080	71,978	18,898
Expenditures				
Current:				
Community and economic development	16,730	16,730	16,730	-
Revenues over expenditures	36,350	36,350	55,248	18,898
Other financing uses				
Transfers out	(200,000)	(200,000)	(200,000)	-
Net change in fund balance	(163,650)	(163,650)	(144,752)	18,898
Fund balance, beginning of year	264,284	264,284	264,284	-
Fund balance, end of year	\$ 100,634	\$ 100,634	\$ 119,532	\$ 18,898

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

CITY OF FREMONT, MICHIGAN

Statement of Net Assets

Proprietary Funds

June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Assets				
Current assets:				
Cash and investments	\$ 1,523,849	\$ 1,558,267	\$ 3,082,116	\$ 571,021
Accounts receivable	141,153	237,730	378,883	-
Deposit	-	-	-	81,400
Prepaid items	3,194	3,194	6,388	-
Total current assets	1,668,196	1,799,191	3,467,387	652,421
Noncurrent assets:				
Capital assets, net				
Land	228,972	11,726	240,698	-
Buildings	-	-	-	632,455
Utility systems	9,873,768	7,195,651	17,069,419	-
Equipment	100,418	58,386	158,804	2,622,840
Construction in progress	-	44,331	44,331	-
Accumulated depreciation	(5,138,688)	(2,076,295)	(7,214,983)	(2,096,827)
Total noncurrent assets	5,064,470	5,233,799	10,298,269	1,158,468
Total assets	6,732,666	7,032,990	13,765,656	1,810,889
Liabilities				
Current liabilities:				
Accounts payable	21,603	13,480	35,083	13,086
Accrued liabilities	2,654	3,076	5,730	400
Current portion of long-term debt	5,228	6,840	12,068	62,543
Total current liabilities	29,485	23,396	52,881	76,029
Noncurrent liabilities:				
Long-term debt, net of current portion	-	-	-	177,457
Total liabilities	29,485	23,396	52,881	253,486
Net assets				
Invested in capital assets	5,064,470	5,233,799	10,298,269	1,158,468
Unrestricted	1,638,711	1,775,795	3,414,506	398,935
Total net assets	\$ 6,703,181	\$ 7,009,594	13,712,775	\$ 1,557,403
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			14,460	
Net assets of business-type activities			\$ 13,727,235	

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Revenue				
Charges for services	\$ 448,376	\$ 853,124	\$ 1,301,500	\$ 352,372
Operating expenses				
Administration	89,018	96,151	185,169	47,522
Operations	219,337	356,327	575,664	173,868
Depreciation	239,430	129,841	369,271	210,830
Total operating expenses	547,785	582,319	1,130,104	432,220
Operating income (loss)	(99,409)	270,805	171,396	(79,848)
Nonoperating revenue				
Investment income	11,496	10,728	22,224	1,427
Connection fees	-	1,500	1,500	-
Gain on sale of capital assets	-	-	-	43,702
Total nonoperating revenue	11,496	12,228	23,724	45,129
Change in net assets	(87,913)	283,033	195,120	(34,719)
Net assets, beginning of year	6,791,094	6,726,561	13,517,655	1,592,122
Net assets, end of year	\$ 6,703,181	\$ 7,009,594	\$ 13,712,775	\$ 1,557,403
Reconciliation of change in net assets to the Statement of Activities				
Change in net assets			195,120	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(14,160)	
Change in net assets of business-type activities			\$ 180,960	

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, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 439,852	\$ 780,222	\$ 1,220,074	\$ -
Receipts from interfund services provided	-	-	-	352,372
Payments to suppliers	(178,850)	(188,114)	(366,964)	(244,128)
Payments to employees	(220,612)	(242,064)	(462,676)	(47,553)
Payments for interfund services used	(32,139)	(25,331)	(57,470)	-
Net cash provided by operating activities	<u>8,251</u>	<u>324,713</u>	<u>332,964</u>	<u>60,691</u>
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	-	-	45,137
Purchase of capital assets	(342,379)	(457,348)	(799,727)	(98,628)
Proceeds from issuance of long-term debt	-	-	-	240,000
Connection fees	-	1,500	1,500	-
Net cash provided by (used in) capital and related financing activities	<u>(342,379)</u>	<u>(455,848)</u>	<u>(798,227)</u>	<u>186,509</u>
Cash flows from investing activities				
Interest received	11,496	10,728	22,224	1,427
Net increase (decrease) in cash and investments	<u>(322,632)</u>	<u>(120,407)</u>	<u>(443,039)</u>	<u>248,627</u>
Cash and investments, beginning of year	1,846,481	1,678,674	3,525,155	322,394
Cash and investments, end of year	<u>\$ 1,523,849</u>	<u>\$ 1,558,267</u>	<u>\$ 3,082,116</u>	<u>\$ 571,021</u>
Cash flows from operating activities				
Operating income (loss)	\$ (99,409)	\$ 270,805	\$ 171,396	\$ (79,848)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	239,430	129,841	369,271	210,830
Changes in assets/liabilities:				
Accounts receivable	(8,524)	(72,902)	(81,426)	-
Deposit	-	-	-	(81,400)
Prepaid items	(167)	(167)	(334)	-
Accounts payable	(124,194)	(36)	(124,230)	11,140
Accrued liabilities	1,101	976	2,077	(31)
Compensated absences	14	(3,804)	(3,790)	-
Net cash provided by operating activities	<u>\$ 8,251</u>	<u>\$ 324,713</u>	<u>\$ 332,964</u>	<u>\$ 60,691</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Fiduciary Assets and Liabilities

Agency Fund
June 30, 2012

	Trust & Agency Fund
Assets	
Cash and investments	\$ 70,036
Receivables	1,729
Due from other governmental units	300
Prepaid items	<u>2,611</u>
Total assets	<u><u>\$ 74,676</u></u>
Liabilities	
Due to other governmental units	<u><u>\$ 74,676</u></u>

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

CITY OF FREMONT, MICHIGAN

Combining Statement of Net Assets Discretely Presented Component Units June 30, 2012

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Assets				
Cash and investments	\$ 627	\$ 109,980	\$ 41,329	\$ 151,936
Receivables	109,346	-	6,985	116,331
Total assets	109,973	109,980	48,314	268,267
Liabilities				
Accounts payable and accrued expenses	5,772	-	250	6,022
Net assets				
Unrestricted	\$ 104,201	\$ 109,980	\$ 48,064	\$ 262,245

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, 2012

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Expenses				
Downtown Development Authority	\$ 472,533	\$ -	\$ -	\$ 472,533
Local Development Finance Authority	-	25,420	-	25,420
Fremont Community Joint Planning Commission	-	-	8,879	8,879
Total expenses	472,533	25,420	8,879	506,832
Program revenues				
Charges for services	16,730	-	-	16,730
Operating grants and contributions	139,737	-	6,985	146,722
Total program revenues	156,467	-	6,985	163,452
Net expense	(316,066)	(25,420)	(1,894)	(343,380)
General revenues				
Property taxes	333,600	22,900	-	356,500
Unrestricted investment earnings	1,277	728	296	2,301
Miscellaneous	6,002	-	-	6,002
Total general revenues	340,879	23,628	296	364,803
Change in net assets	24,813	(1,792)	(1,598)	21,423
Net assets, beginning of year	79,388	111,772	49,662	240,822
Net assets, end of year	\$ 104,201	\$ 109,980	\$ 48,064	\$ 262,245

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

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.

The Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

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

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

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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.

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.

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

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 gas and weight tax allocations to the City by the Michigan Department of Transportation for construction and maintenance of major streets within the City.

The *Local Improvement fund* accounts for amounts collected and receivable in conjunction with various special assessments for several City construction projects.

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 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, and retirement of related debt.

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

Additionally, the City reports the following fund types:

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

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

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

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

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

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are 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, 2012. 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. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
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.

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 temporary investments. Investments are stated at fair value in accordance with GASB Statement No. 31.

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

Receivables and Payables

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

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

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

Special Assessments

Special assessments are recorded as revenue when due, not when levied. Estimated annual installments not yet available are reflected as deferred revenue. 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 deferred.

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.

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 fair market value 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.

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

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 Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and for resources that have been received, but not yet earned.

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 assets.

Pensions

The provision for pension cost is recorded on an annual basis and the City's policy is to fund pension costs as they accrue.

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 assets. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized 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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

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 Tax Collection agency fund.

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, 2012, 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:			
Legislative	\$ 11,780	\$ 12,002	\$ 222
Elections	6,900	7,065	165
Attorney	15,000	15,345	345
Building and grounds	99,510	99,912	402
Public relations	33,000	33,949	949
Employee fringe benefits and other items	397,675	415,769	18,094
Parking systems	30,000	30,569	569
Major Streets:			
Traffic services	12,500	14,807	2,307
Local Streets:			
Traffic services	1,500	1,598	98

3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2012:

	Primary Government	Fiduciary Funds	Component Units	Total
Cash and investments	\$ 5,393,552	\$ 70,036	\$ 151,936	\$ 5,615,524

The City's deposits are in eight (8) 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. Deposits and investments are recorded in City records at fair value. Interest is recorded when earned.

Cash and investments are composed of the following at June 30, 2012:

Checking/savings accounts	\$ 2,786,570
Certificates of deposit (due within one year)	1,583,628
Investments	1,244,935
Petty cash	391
Total cash and investments	<u>\$ 5,615,524</u>

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

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, 2012, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 787,891	AAAm (S&P)
Federal Home Loan Bank	6/13/2016	132,535	AA- (S&P)
Federal Home Loan Mortgage Corp	10/13/2026	125,069	AA+ (S&P)
Federal Home Loan Mortgage Corp	6/28/2027	99,222	AA+ (S&P)
Federal Home Loan Mortgage Corp	11/14/2031	<u>100,218</u>	AA+ (S&P)
Total investments		<u><u>\$ 1,244,935</u></u>	

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

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.

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

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, \$3,012,590 of the City’s bank balance of \$4,569,730 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.

4. RECEIVABLES AND OTHER ASSETS

At June 30, 2012, the City’s receivables were as follows:

	Governmental Activities	Business-type Activities	Component Units	Agency Fund
Accounts	\$ 93,690	\$ 378,883	\$ -	\$ 1,729
Special assessments	170,111	-	-	-
Due from other governments	270,121	-	50,450	300
Notes	-	-	65,881	-
Total	\$ 533,922	\$ 378,883	\$ 116,331	\$ 2,029

Of the amounts reported above, \$136,356 of special assessments receivable reported in the Local Improvement fund are not expected to be collected within one year.

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

5. OTHER ASSETS

At June 30, 2012, the City's other assets consisted of the following:

	Governmental Activities	Business-type Activities	Agency Fund
Prepaid items	\$ 21,191	\$ 6,388	\$ 2,611
Deposits	81,400	-	-
Bond issuance costs, net	16,818	-	-
Total	<u>\$ 119,409</u>	<u>\$ 6,388</u>	<u>\$ 2,611</u>

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At June 30, 2012, the City's accounts payable and accrued expenses were as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 249,632	\$ 35,083	\$ 4,583
Accrued expenses	23,794	5,730	1,439
Accrued interest payable	8,224	-	-
Total	<u>\$ 281,650</u>	<u>\$ 40,813</u>	<u>\$ 6,022</u>

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 2,996,871	\$ -	\$ -	\$ -	\$ 2,996,871
Construction in progress	46,308	330,721	-	(26,937)	350,092
	<u>3,043,179</u>	<u>330,721</u>	<u>-</u>	<u>(26,937)</u>	<u>3,346,963</u>
Capital assets, being depreciated:					
Land improvements	1,149,724	133,176	-	8,260	1,291,160
Buildings and improvements	4,902,836	-	(112,749)	-	4,790,087
Vehicles and equipment	3,360,470	107,157	(105,583)	-	3,362,044
Infrastructure	16,997,256	169,568	-	18,677	17,185,501
	<u>26,410,286</u>	<u>409,901</u>	<u>(218,332)</u>	<u>26,937</u>	<u>26,628,792</u>
Less accumulated depreciation for:					
Land improvements	349,705	63,846	-	-	413,551
Buildings and improvements	2,484,621	153,857	(84,562)	-	2,553,916
Vehicles and equipment	2,500,362	220,054	(104,148)	-	2,616,268
Infrastructure	6,897,142	805,230	-	-	7,702,372
	<u>12,231,830</u>	<u>1,242,987</u>	<u>(188,710)</u>	<u>-</u>	<u>13,286,107</u>
Total capital assets being depreciated, net	<u>14,178,456</u>	<u>(833,086)</u>	<u>(29,622)</u>	<u>26,937</u>	<u>13,342,685</u>
Governmental activities capital assets, net	<u>\$ 17,221,635</u>	<u>\$ (502,365)</u>	<u>\$ (29,622)</u>	<u>\$ -</u>	<u>\$ 16,689,648</u>

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

Governmental activities	
General government	\$ 92,038
Public safety	13,652
Public works	855,634
Community and economic development	6,552
Culture and recreation	64,281
Depreciation charged to Internal Service Funds	<u>210,830</u>
	<u>\$ 1,242,987</u>

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 240,698	\$ -	\$ -	\$ -	\$ 240,698
Construction in progress	-	44,331	-	-	44,331
	<u>240,698</u>	<u>44,331</u>	<u>-</u>	<u>-</u>	<u>285,029</u>
Capital assets, being depreciated:					
Utility systems	16,314,023	755,396	-	-	17,069,419
Equipment	158,804	-	-	-	158,804
	<u>16,472,827</u>	<u>755,396</u>	<u>-</u>	<u>-</u>	<u>17,228,223</u>
Less accumulated depreciation for:					
Utility systems	6,703,748	366,250	-	-	7,069,998
Equipment	141,964	3,021	-	-	144,985
	<u>6,845,712</u>	<u>369,271</u>	<u>-</u>	<u>-</u>	<u>7,214,983</u>
Total capital assets being depreciated, net	<u>9,627,115</u>	<u>386,125</u>	<u>-</u>	<u>-</u>	<u>10,013,240</u>
Business-type activities capital assets, net	<u>\$ 9,867,813</u>	<u>\$ 430,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,298,269</u>

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

Business-type activities	
Sewer	\$ 239,430
Water	<u>129,841</u>
	<u>\$ 369,271</u>

The City has outstanding commitments under construction contracts totaling approximately \$265,000 at June 30, 2012.

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

8. LONG-TERM DEBT

The following is a summary of the debt transactions for the City during the year ended June 30, 2012:

	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 rates ranging from 3.625% to 3.875% through November 2021	\$ 1,375,000	\$ -	\$ (100,000)	\$ 1,275,000	\$ 100,000
Fire Truck installment purchase due in annual installments of \$63,000 including interest at 2.14% through August 2015	-	240,000	-	240,000	62,543
Subtotal	1,375,000	240,000	(100,000)	1,515,000	162,543
Unamortized discount	(14,365)	-	2,152	(12,213)	-
Compensated absences	273,982	110,807	(92,767)	292,022	93,000
Total governmental activities	\$ 1,634,617	\$ 350,807	\$ (190,615)	\$ 1,794,809	\$ 255,543
Business-type Activities					
Compensated absences	\$ 15,858	\$ 13,463	\$ 17,253	\$ 12,068	\$ -

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2013	\$ 162,543	\$ 47,864
2014	159,202	47,334
2015	185,469	41,715
2016	182,786	35,583
2017	125,000	29,509
2018-2022	700,000	70,629
	<u>\$ 1,515,000</u>	<u>\$ 272,634</u>

The City was in compliance in all material respects with all bond indentures at June 30, 2012.

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

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

9. BOND ISSUANCE COSTS

Changes in bond issuance costs for the year ending June 30, 2012 are as follows:

	Beginning of Year	Additions	Disposals	End of Year
Governmental activities				
Bond issuance costs	\$ 35,114	\$ -	\$ -	\$ 35,114
Accumulated amortization	(15,333)	(2,963)	-	(18,296)
Bond issuance costs, net	<u>\$ 19,781</u>	<u>\$ (2,963)</u>	<u>\$ -</u>	<u>\$ 16,818</u>

10. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Governmental funds			
Special assessments	\$ 170,111	\$ -	\$ 170,111
Prepaid rentals	-	16,029	16,029
	<u>\$ 186,140</u>	<u>\$ 16,029</u>	<u>\$ 186,140</u>

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

11. INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2012 is as follows:

Transfers out	Transfers In			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 200,000	\$ 50,000	\$ 250,000
Major Streets fund	-	204,250	56,250	260,500
Local Improvement	200,000	-	-	200,000
Nonmajor governmental funds	23,610	205,000	-	228,610
	<u>\$ 223,610</u>	<u>\$ 609,250</u>	<u>\$ 106,250</u>	<u>\$ 939,110</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.

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

12. FUND BALANCES - GOVERNMENTAL FUNDS

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies fund balances based primarily on the extent to which it is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Major Streets Fund	Local Improvement Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepays	\$ 21,191	\$ -	\$ -	\$ -	\$ -	\$ 21,191
Permanent corpus	-	-	-	-	342,546	342,546
Total nonspendable	<u>21,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,546</u>	<u>363,737</u>
Restricted for:						
Highways and streets	-	94,045	-	-	51,306	145,351
Debt service	-	-	-	-	33,672	33,672
Total restricted	<u>-</u>	<u>94,045</u>	<u>-</u>	<u>-</u>	<u>84,978</u>	<u>179,023</u>
Committed for:						
Capital projects	-	-	119,532	437,893	-	557,425
Parks	-	-	-	-	1,153	1,153
Total committed	<u>-</u>	<u>-</u>	<u>119,532</u>	<u>437,893</u>	<u>1,153</u>	<u>558,578</u>
Assigned for:						
Subsequent year's budget	<u>167,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,140</u>
Unassigned	<u>580,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,970</u>
Total fund balances, governmental funds	<u>\$ 769,301</u>	<u>\$ 94,045</u>	<u>\$ 119,532</u>	<u>\$ 437,893</u>	<u>\$ 428,677</u>	<u>\$ 1,849,448</u>

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

13. 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.

14. LEASES

The City leases land and vehicles under noncancelable operating leases. For the year ended June 30, 2012, rental expense on the operating leases was approximately \$5,800. The future minimum lease payments for these leases are as follows for the years ending June 30:

Year Ended June 30,	Amount
2013	\$ 5,475
2014	3,200
	<u>\$ 8,675</u>

The City also received approximately \$45,000 from noncancelable operating leases for land use and hanger rental during the year ended June 30, 2012, which has been recorded as rental income. The future minimum rental income for these leases is as follows for the years ending June 30:

Year Ended June 30,	Amount
2013	\$ 14,787
2014	10,565
2015	2,406
2016	2,406
2017	846
2018-2022	4,230
2023-2027	4,230
2028-2032	4,230
2033-2034	846
	<u>\$ 44,546</u>

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

15. RISK MANAGEMENT

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

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

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

16. PENSION PLANS

Municipal Employee Retirement System of Michigan

Plan Description

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board.

Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

Funding Policy

Plan members are not required to contribute to the plan. The City is required to contribute at an actuarially-determined rate; the rate for the year ended June 30, 2012 varied from 16.44 to 24.27 percent of annual covered payroll depending on position. The contribution requirements of plan members and the City are established and may be amended by MERS.

For the year ended June 30, 2011 the City’s annual pension cost of \$319,425 was equal to the City’s required and actual contributions. The required contribution was determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.4% per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, the date of the latest actuarial valuation, was 28 years. This period will be reduced by one year in each of the next eight valuations until reaching 20 years after which the 20 year period will be reestablished with each annual actuarial valuation.

Three-Year Trend Information			
Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2010	\$ 258,700	100%	\$ -
2011	315,200	100%	-
2012	319,425	100%	-

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 68 percent funded. The actuarial accrued liability for benefits was \$9,094,433, and the actuarial value of assets was \$6,166,902, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,927,531. The covered payroll (annual payroll of active employees covered by the plan) was \$1,451,346, and the ratio of the UAAL to the covered payroll was 202 percent.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

17. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined benefit healthcare plan. The plan provides health insurance to eligible retirees and their spouses until the retiree reaches age 65 through the City's group health insurance plan, which covers both active and retired members. Effective April 1, 2011, the City adopted the Michigan Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle to fund the obligation.

Funding Policy

Plan members are not required to contribute to the 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 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 the benefits as determined annually by the City. For the fiscal year ended June 30, 2012, the City paid postemployment healthcare premiums of \$28,675.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 34,223
Interest on net OPEB obligation	1,028
Adjustment to annual required contribution	<u>(1,484)</u>
Net OPEB cost	33,767
Contributions made	<u>28,675</u>
Increase in net OPEB obligation	5,092
Net OPEB obligation, beginning of year	<u>7,474</u>
Net OPEB obligation, end of year	<u>\$ 12,566</u>

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 and the previous two years were as follows:

Three-Year Trend Information			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 32,356	70%	\$ 9,811
2011	32,467	107%	7,474
2012	33,767	85%	12,566

Funded Status and Funding Progress

As of June 30, 2010, the date of the most recent actuarial valuation, the actuarial accrued liability for benefits was \$296,014, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to the covered payroll were unavailable.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The required contribution was determined as part of the June 30, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 0 percent investment rate of return (net of administrative expenses) as the Plan was not funded and (b) an annual healthcare trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 5 years. The plan's unfunded actuarial accrued liability is being amortized as a level dollar of projected payroll on a closed basis. The remaining amortization period at June 30, 2010 was 30 years.

CITY OF FREMONT, MICHIGAN

Notes To Financial Statements

18. ECONOMIC DEPENDENCY

The City's Sewer and Water funds have a significant economic dependence on a local corporation. During the year ended June 30, 2012, the corporation's billings for utilities approximated 58% of total combined billings in the Sewer and Water funds.

19. NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

The compensation of net assets invested in capital assets, net of related debt as of June 30, 2012, was as follows:

	Governmental Activities	Business-type Activities
Capital assets not being depreciated	\$ 3,346,963	\$ 285,029
Capital assets being depreciated, net	13,342,685	10,013,240
Bonds payable	(1,275,000)	-
Unamortized bond discount	12,213	-
	<u>15,426,861</u>	<u>10,298,269</u>
Invested in capital assets, net of capital - related debt	<u>\$ 15,426,861</u>	<u>\$ 10,298,269</u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREMONT, MICHIGAN

Required Supplementary Information
MERS Agent Multiple-Employer Defined Benefit Plan

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2005	\$ 5,097,995	\$ 7,016,297	\$ 1,918,302	73%	\$ 1,332,225	144%
12/31/2006	5,457,138	7,480,303	2,023,165	73%	1,331,170	152%
12/31/2007	5,808,720	7,815,353	2,006,633	74%	1,381,528	145%
12/31/2008	5,993,447	8,484,772	2,491,325	71%	1,350,654	184%
12/31/2009	6,063,364	8,789,315	2,725,951	69%	1,406,948	194%
12/31/2010	6,166,902	9,094,433	2,927,531	68%	1,451,346	202%

Schedule of Employer Contributions		
Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2007	\$ 243,000	100%
2008	271,000	100%
2009	267,000	100%
2010	258,700	100%
2011	315,200	100%
2012	319,425	100%

CITY OF FREMONT, MICHIGAN

Required Supplementary Information
Single Employer Other Postemployment Benefit Plan

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
6/30/2010	\$ -	\$ 296,014	\$ 296,014	0%	*	*

Schedule of Employer Contributions		
Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2010	\$ 32,356	70%
2011	32,624	107%
2012	34,223	84%

* Information not available

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS**

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF FREMONT, MICHIGAN

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2012

	Special Revenue Funds		Debt Service	Permanent	Totals
	Local Streets	Arboretum Park	Construction Bond	Cemetery Perpetual Care	
Assets					
Cash and investments	\$ 38,300	\$ 1,153	\$ 33,672	\$ 342,546	\$ 415,671
Due from other governments	13,418	-	-	-	13,418
Total assets	<u>\$ 51,718</u>	<u>\$ 1,153</u>	<u>\$ 33,672</u>	<u>\$ 342,546</u>	<u>\$ 429,089</u>
Liabilities					
Accrued liabilities	\$ 412	\$ -	\$ -	\$ -	\$ 412
Fund balances (Note 12)					
Nonspendable	-	-	-	342,546	342,546
Restricted	51,306	-	33,672	-	84,978
Committed	-	1,153	-	-	1,153
Total fund balances	<u>51,306</u>	<u>1,153</u>	<u>33,672</u>	<u>342,546</u>	<u>428,677</u>
Total liabilities and fund balances	<u>\$ 51,718</u>	<u>\$ 1,153</u>	<u>\$ 33,672</u>	<u>\$ 342,546</u>	<u>\$ 429,089</u>

CITY OF FREMONT, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2012

	Special Revenue Funds		Debt Service	Permanent	Totals
	Local Streets	Arboretum Park	Construction Bond	Cemetery Perpetual Care	
Revenue					
Intergovernmental:					
State	\$ 96,162	\$ -	\$ -	\$ -	\$ 96,162
Local	-	33,738	151,630	-	185,368
Charges for services	-	-	-	10,813	10,813
Investment earnings	531	66	310	2,182	3,089
Total revenue	96,693	33,804	151,940	12,995	295,432
Expenditures					
Current:					
Public works	63,501	14,000	-	-	77,501
Debt service:					
Principal	-	-	100,000	-	100,000
Interest and fees	-	-	50,604	-	50,604
Total expenditures	63,501	14,000	150,604	-	228,105
Revenue over expenditures	33,192	19,804	1,336	12,995	67,327
Other financing sources (uses)					
Transfers in	106,250	-	-	-	106,250
Transfers out	(205,000)	(21,428)	-	(2,182)	(228,610)
Total other financing sources (uses)	(98,750)	(21,428)	-	(2,182)	(122,360)
Net change in fund balances	(65,558)	(1,624)	1,336	10,813	(55,033)
Fund balances, beginning of year	116,864	2,777	32,336	331,733	483,710
Fund balances, end of year	\$ 51,306	\$ 1,153	\$ 33,672	\$ 342,546	\$ 428,677

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AGENCY FUND

CITY OF FREMONT, MICHIGAN

Combining Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Trust & Agency Fund</i>				
Assets				
Cash and investments	\$ 24,419	\$ 5,923,675	\$ 5,878,058	\$ 70,036
Receivables	779	16,415	15,465	1,729
Due from other governmental units	300	-	-	300
Prepaid items	-	2,611	-	2,611
	<u>25,498</u>	<u>5,942,701</u>	<u>5,893,523</u>	<u>74,676</u>
Total assets	\$ 25,498	\$ 5,942,701	\$ 5,893,523	\$ 74,676
Liabilities				
Accounts payable	\$ 75	\$ 4,675,976	\$ 4,676,051	\$ -
Due to other governmental units	25,423	5,566,447	5,517,194	74,676
	<u>25,498</u>	<u>10,242,423</u>	<u>10,193,245</u>	<u>74,676</u>
Total liabilities	\$ 25,498	\$ 10,242,423	\$ 10,193,245	\$ 74,676