

City of Fremont,  
Michigan



Year Ended  
June 30, 2014

Financial  
Statements

# CITY OF FREMONT, MICHIGAN

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# CITY OF FREMONT, MICHIGAN

## Elected and Appointed Officials For the Year Ended June 30, 2014

### Elected Officials

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

### Appointed Officials

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

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## INDEPENDENT AUDITORS' REPORT

September 29, 2014

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Fremont, Michigan* (the "City"), as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Independent Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fremont, Michigan as of June 30, 2014, 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.

### *Other Matters*

#### *Required Supplementary Information*

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.

#### *Other Information*

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

*Rehmann Loborn LLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

This discussion and analysis is intended to serve as an introduction to the City of Fremont, Michigan's (the "City") basic financial statements. This report consists of a series of financial statements for the City as of June 30, 2014. The City's basic financial statements are comprised of three components:

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

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

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

### Financial Highlights

- At the close of the fiscal year, the City of Fremont had total assets of \$32,026,782 and total liabilities of \$1,968,986, leaving net position of \$30,057,796, a decrease of 2.49% in the City's overall position.
- Of the total \$30,057,796 in primary government net position, the City may use \$3,950,924 (unrestricted net position) to meet the ongoing obligations to citizens and creditors.
- Total revenues, including all program and general revenues, were \$5,349,459, comprised of governmental revenues of \$4,258,984 and business-type revenues of \$1,090,475.
- Total expenses for all of the City's programs were \$6,118,477. Of that total, the governmental expenses were \$4,836,948 and the business-type expenses were \$1,281,529.
- Although taxable values have decreased over the past few years resulting in less tax revenue, the City was able to maintain the same quality level of City services to its citizens with no increase in its property tax levy, nor elimination of any programs.
- Many municipal government financial advisors recommend maintaining unassigned fund balances of at least two months (approximately 17%) 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 18.3% of unassigned fund balance going into Fiscal Year 2014/15.

### 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.

# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. The statements are similar to those of a private-sector business.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. The City reports all changes in net position when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and 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 Position and the Statement of Activities include not only the City of Fremont itself (known as the primary government), but also discretely presented component units. Component units are separate legal entities for which the City has some level of financial accountability. The City has three component units presented in a Combining Statement of Net Position and Combining Statement of Activities: the Downtown Development Authority (DDA), the Local Development Finance Authority (LDFA), and the Fremont Community Joint Planning Commission (Commission). The component units exist primarily for the issuance and repayment of debt 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 position provides the perspective of the City as a whole. The following table provides a summary of the City's net position. As of June 30, 2014, the City's net position from governmental activities totaled \$16,564,893 and \$13,492,903 from business-type activities, for a government-wide net position total of \$30,057,796.

In examining the composition of net position, the reader should note that the amount of governmental activities invested in capital assets (i.e., streets, buildings, furniture and equipment, etc.) are used to provide services to the residents, and are not available to pay salaries or operational expenses or to fund capital projects. The unrestricted net position for governmental activities actually depict a balance of \$1,209,894. 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 decreased by \$96,687, while depreciation expense contributed to a decrease in capital assets of \$585,489. Total long-term liabilities decreased by \$149,167, primarily due to the scheduled principal payments on long-term debt.

Business-type assets remained relatively consistent with the prior year, while the City undertook a couple of infrastructure improvement projects for which amounts were payable at year end, resulting in an increase in other liabilities.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,292,497	\$ 2,389,184	\$ 2,909,981	\$ 2,900,481	\$ 5,202,478	\$ 5,289,665
Capital assets, net	16,072,431	16,657,920	10,751,873	10,806,035	26,824,304	27,463,955
<b>Total assets</b>	<b>18,364,928</b>	<b>19,047,104</b>	<b>13,661,854</b>	<b>13,706,516</b>	<b>32,026,782</b>	<b>32,753,620</b>
Other liabilities	323,011	278,056	149,887	6,201	472,898	284,257
Long-term liabilities	1,477,024	1,626,191	19,064	16,358	1,496,088	1,642,549
<b>Total liabilities</b>	<b>1,800,035</b>	<b>1,904,247</b>	<b>168,951</b>	<b>22,559</b>	<b>1,968,986</b>	<b>1,926,806</b>
Net position:						
Net investment in capital assets	14,883,303	15,311,429	10,751,873	10,806,035	25,635,176	26,117,464
Restricted	471,696	484,325	-	-	471,696	484,325
Unrestricted	1,209,894	1,347,103	2,741,030	2,877,922	3,950,924	4,225,025
<b>Total net position</b>	<b>\$16,564,893</b>	<b>\$17,142,857</b>	<b>\$13,492,903</b>	<b>\$13,683,957</b>	<b>\$30,057,796</b>	<b>\$30,826,814</b>

# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

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

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 863,584	\$ 819,101	\$ 1,081,652	\$ 1,145,778	\$ 1,945,236	\$ 1,964,879
Operating grants	726,415	591,292	8,823	18,175	735,238	609,467
Capital grants	582,536	855,656	-	3,000	582,536	858,656
General revenues:						
Property taxes	1,650,513	1,602,579	-	-	1,650,513	1,602,579
Licenses and permits	34,670	47,929	-	-	34,670	47,929
Unrestricted grants	371,659	354,762	-	-	371,659	354,762
Gain on sale of capital assets	3,714	47,937	-	-	3,714	47,937
Unrestricted investment earnings	18,299	-	-	-	18,299	-
Miscellaneous	7,594	5,610	-	-	7,594	5,610
<b>Total revenues</b>	<b>4,258,984</b>	<b>4,324,866</b>	<b>1,090,475</b>	<b>1,166,953</b>	<b>5,349,459</b>	<b>5,491,819</b>
Expenses:						
General government	712,042	719,383	-	-	712,042	719,383
Public safety	1,366,942	1,400,831	-	-	1,366,942	1,400,831
Public works	2,405,992	2,230,990	-	-	2,405,992	2,230,990
Community and economic development	96,522	101,563	-	-	96,522	101,563
Cultural and recreation	211,235	191,830	-	-	211,235	191,830
Interest on long-term debt	44,215	48,010	-	-	44,215	48,010
Sewer	-	-	677,185	624,410	677,185	624,410
Water	-	-	604,344	593,306	604,344	593,306
<b>Total expenses</b>	<b>4,836,948</b>	<b>4,692,607</b>	<b>1,281,529</b>	<b>1,217,716</b>	<b>6,118,477</b>	<b>5,910,323</b>
Change in net position, before transfers	(577,964)	(367,741)	(191,054)	(50,763)	(769,018)	(418,504)
Transfers	-	(7,485)	-	7,485	-	-
Change in net position	(577,964)	(375,226)	(191,054)	(43,278)	(769,018)	(418,504)
Net position:						
Beginning of year	17,142,857	17,518,083	13,683,957	13,727,235	30,826,814	31,245,318
End of year	<u>\$16,564,893</u>	<u>\$17,142,857</u>	<u>\$13,492,903</u>	<u>\$13,683,957</u>	<u>\$30,057,796</u>	<u>\$30,826,814</u>

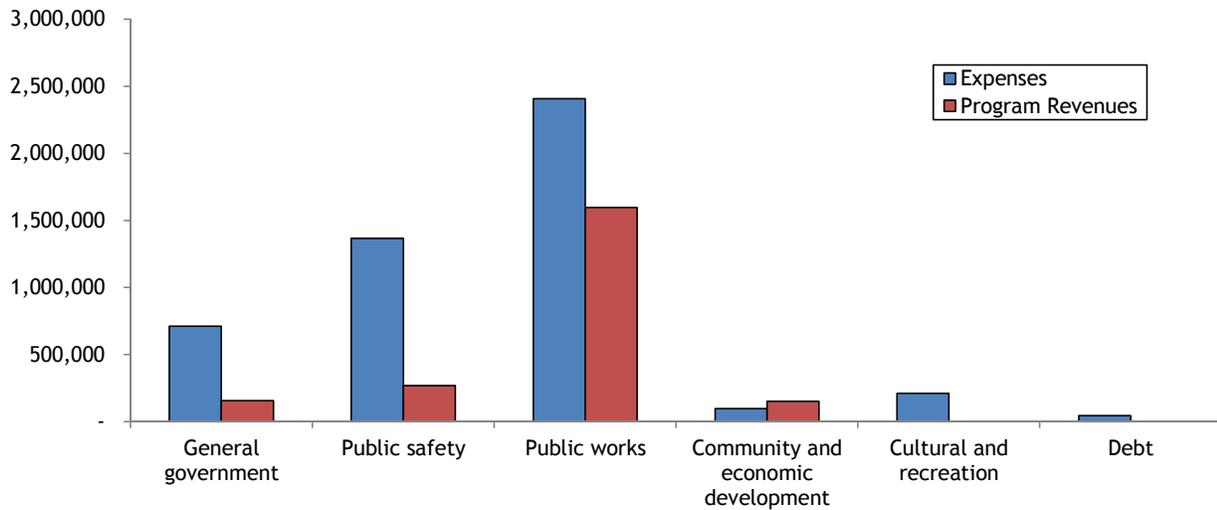
# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

Governmental Activities. Governmental activities decreased the City's net position by \$577,964. Key elements of this decrease are as follows:

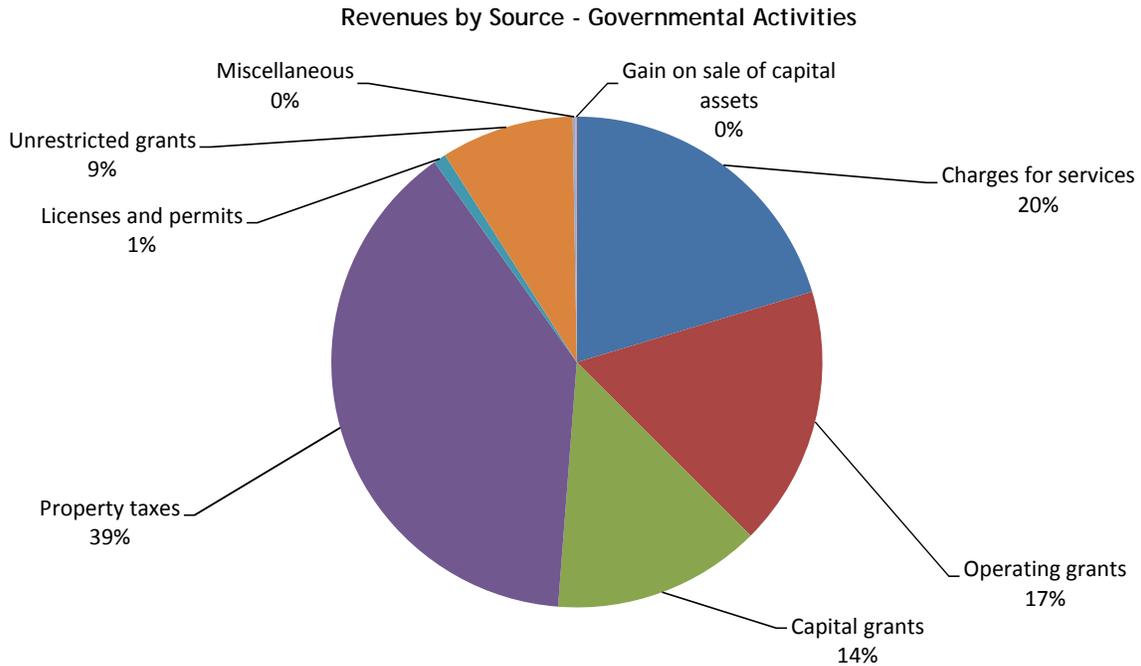
- Although the City Charter permits up to 20.0 mills, the millage rate has remained at 14.0 mills for the past sixteen years. So with overall property values decreasing over the last few years, tax revenues have also been decreasing.
- The City established an Agricultural Renaissance Zone for Gerber Products warehousing and production sites in 2009, which lowered annual property tax revenues for the City by more than \$250,000. Since the Ren Zone was established, Gerber Products has invested over \$200,000,000 within the Fremont-based facility and created an additional 200 jobs to give them an estimated 1,300 employees in Fremont. Unfortunately, most of the investment falls within the tax-free Ren Zone, but the economic impact of the project has proven a great benefit to the community.
- 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



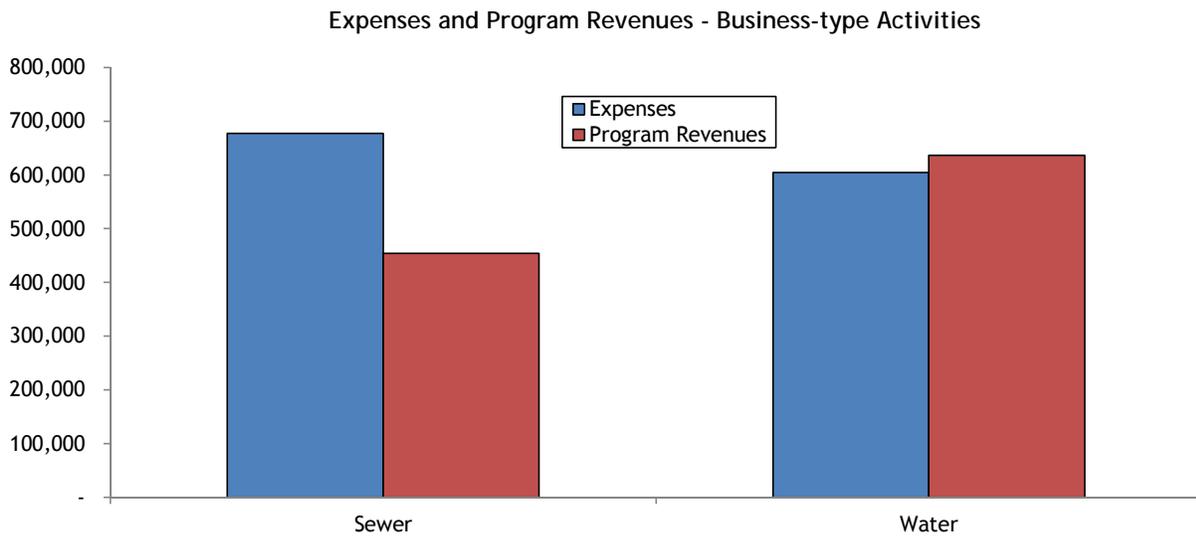
# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis



**Business-type Activities.** Business-type activities decreased the City's net position by \$191,054. Key elements of this decrease are as follows:

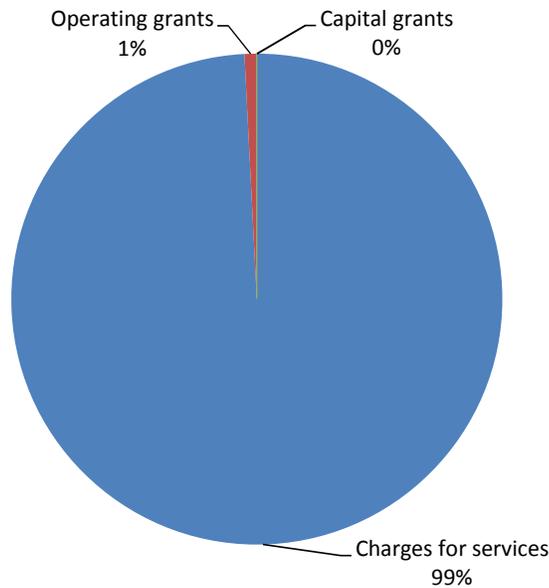
- Overall business-type revenues decreased 7% and expenses increased 5%, but the City only experienced a decrease in net position of \$191,054, less than 1.4%. Fortunately, utility rates were increased last fiscal year, in planning for several large infrastructure improvements to the city's system.
- Expenses in by the Sewer and Water Funds increased by 8.5% and 1.9% respectively, whereas watermain and sanitary sewer line repairs and maintenance costs continue to increase.



# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

Revenues by Source - Business-type Activities



### Financial Analysis of the Government's Funds

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

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances 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 2014 fiscal year, the governmental funds reported a combined fund balance of \$1,435,680. Of this number, \$572,677 represents the General Fund's unassigned fund balance. The unassigned balance represents what is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it is classified as nonspendable, restricted, committed or assigned.

The General Fund is the chief operating fund of the City. The General Fund pays for administration, public safety, public works, elections, legal, recreation, garbage collection, boards and commissions and other minor functions. The General Fund ended the year with a total fund balance of \$708,537, a decrease of \$32,309 (4.3%) from fiscal year 2012/13. The health of the General Fund may be measured by the ratio of General Fund balance to annual General Fund expenditures. Total General Fund fund balance on June 30, 2014 represents 22.63% of the general fund expenditures and transfers out, while unassigned fund balance amounts to 18.3%.

# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

Overall and in comparison to the previous year, General Fund revenues increased by \$123,676 and expenditures increased by \$136,293. Revenues increased for various reasons, including increased IFT tax revenue from recent development in the City's Industrial Park, EVIP Revenue Sharing and PILOT's from recent tax-incentive development projects. Expenditures also increased primarily due to administrative wages and benefits and legal fees responding to MI Tax Tribunal files from local businesses seeking tax valuation decreases.

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

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the governmental financial statements, but in more detail. For the year ended June 30, 2014, net position of the Sewer Fund decreased by \$223,898 and net position of the Water Fund increased by \$31,452.

Although the Sewer Fund experienced a 2% increase in revenues, the fund still experienced a decrease in net position due to general operations and depreciation expense. The Fund remains healthy as shown on the Statement of Cash Flows, as sewer operations still have an available cash and investments at year end of \$1,207,585. The Water Fund experienced an increase in net position of \$31,452.

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:

- The City delayed the Branstrom Park Ice Rink and Lodge enhancement projects another fiscal year, but grant funds have been approved for a late fall construction in the upcoming year.
- There were several amendments to allow for purchases of additional equipment in both the Fire and Police Departments, with mainly grant funding to cover the costs.
- 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 from the previous year to next year, which is a continuing problem since the fiscal year ends in the middle of the summer construction season.
- The LDFA transferred additional fund reserves from land sales, to the General Fund to help cover increasing operational costs.
- A credit card reader for the airport fuel tank system was installed during the fiscal year which enhanced the accountability of fuel purchases.

# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

- Adjustments to account for changes in recording state and federal grant funds, whereas they typically handle the fiduciary responsibility of grant funded projects.

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 from the final budget to actual expenditures:

- The State of Michigan increased EVIP Revenue Sharing by more than 15% this past year, but decreased statutory revenue sharing.
- With total expenditures down by over \$45,000 from last year and projected budget, budgeted Use of Fund Balance is down accordingly.

### 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, 2014 totaled \$26,824,304 (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 sections of Maple & Mechanic street reconstruction and resurfacing, initiating reconstruction of Oak Street for water and sanitary sewermain replacements, enhancement of Downtown with decorative fencing/monuments and new dumpster enclosures in the NW, SE & SW Downtown parking lot areas.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,021,168	\$ 3,026,168	\$ 240,698	\$ 240,698	\$ 3,261,866	\$ 3,266,866
Construction in progress	23,299	37,500	244,519	-	267,818	37,500
Land improvements	1,125,396	818,628	-	-	1,125,396	818,628
Buildings and improvements	1,907,716	2,087,952	-	-	1,907,716	2,087,952
Utility systems	-	-	10,258,879	10,554,539	10,258,879	10,554,539
Vehicles and equipment	796,387	925,063	7,777	10,798	804,164	935,861
Infrastructure	9,198,465	9,762,609	-	-	9,198,465	9,762,609
<b>Total capital assets, net</b>	<b>\$16,072,431</b>	<b>\$16,657,920</b>	<b>\$10,751,873</b>	<b>\$10,806,035</b>	<b>\$26,824,304</b>	<b>\$27,463,955</b>

Additional capital asset information can be found in Note 6 to the financial statements.

# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

Long-Term Debt. As of June 30, 2014, the City had outstanding long-term liabilities of \$1,496,088 consisting of a capital improvement bond, fire truck loan and compensated absences. Long-term liabilities decreased by \$146,461 due to regularly scheduled principal payments.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital improvement bonds	\$ 1,075,000	\$ 1,175,000	\$ -	\$ -	\$ 1,075,000	\$ 1,175,000
Fire truck loan	122,506	181,708	-	-	122,506	181,708
Unamortized discount	(8,378)	(10,217)	-	-	(8,378)	(10,217)
Compensated absences	287,896	279,700	19,064	16,358	306,960	296,058
Total long-term debt	<u>\$ 1,477,024</u>	<u>\$ 1,626,191</u>	<u>\$ 19,064</u>	<u>\$ 16,358</u>	<u>\$ 1,496,088</u>	<u>\$ 1,642,549</u>

Additional long-term debt information can be found in Note 7 to the financial statements.

### Economic Factors and Next Year's Budget and Rates

The general operating budget for fiscal year 2014-15 was based on the continuation of the existing 14 mill property tax levy for the last sixteen 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 fifteen years. If needed, an additional 6 mills (less a small Headlee millage rollback) could generate an additional \$7-800,000 in tax revenues for general operating purposes.

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

The City has responded to the economic downturn and pressure on revenues by trying to keep program expenses constant and increasing some user fees. The budget for fiscal year 2014-15 reflects both revenue and expenditure reductions in several departments.

The General Fund budget for fiscal year 2014-15 decreased by 3.1% (\$101,500.) There are plans to decrease the General Fund fund balance by \$135,860 to offset declining revenues and increased operational costs.

For the City's business-type activities, the City has budgeted to expend accumulated resources of \$619,355 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. Although collectively decreasing by over \$60,000, the Water Fund budget includes \$150,000 in capital construction and the Sewer Fund budget includes \$280,000 in capital construction.

# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

### Requests for Information

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

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## BASIC FINANCIAL STATEMENTS

# CITY OF FREMONT, MICHIGAN

## Statement of Net Position June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 1,975,331	\$ 2,590,773	\$ 4,566,104	\$ 124,925
Receivables	321,349	315,025	636,374	32,595
Internal balances	(4,183)	4,183	-	-
Capital assets not being depreciated	3,044,467	485,217	3,529,684	-
Capital assets being depreciated, net	13,027,964	10,266,656	23,294,620	-
<b>Total assets</b>	<b>18,364,928</b>	<b>13,661,854</b>	<b>32,026,782</b>	<b>157,520</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	136,869	149,887	286,756	2,921
Unearned revenue	107,384	-	107,384	-
Long-term debt:				
Due within one year	303,147	19,064	322,211	-
Due in more than one year	1,173,877	-	1,173,877	-
Net other postemployment benefits obligation	78,758	-	78,758	-
<b>Total liabilities</b>	<b>1,800,035</b>	<b>168,951</b>	<b>1,968,986</b>	<b>2,921</b>
<b>Net position</b>				
Net investment in capital assets	14,883,303	10,751,873	25,635,176	-
Restricted for:				
Streets and highways	141,667	-	141,667	-
Perpetual care	330,029	-	330,029	-
Unrestricted	1,209,894	2,741,030	3,950,924	154,599
<b>Total net position</b>	<b>\$ 16,564,893</b>	<b>\$ 13,492,903</b>	<b>\$ 30,057,796</b>	<b>\$ 154,599</b>

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, 2014

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 712,042	\$ 109,405	\$ 47,425	\$ -	\$ (555,212)
Public safety	1,366,942	209,297	58,144	-	(1,099,501)
Public works	2,405,992	392,207	620,846	582,536	(810,403)
Community and economic development	96,522	152,675	-	-	56,153
Culture and recreation	211,235	-	-	-	(211,235)
Interest on long-term debt	44,215	-	-	-	(44,215)
<b>Total governmental activities</b>	<b>4,836,948</b>	<b>863,584</b>	<b>726,415</b>	<b>582,536</b>	<b>(2,664,413)</b>
Business-type activities:					
Sewer	677,185	449,554	4,551	-	(223,080)
Water	604,344	632,098	4,272	-	32,026
<b>Total business-type activities</b>	<b>1,281,529</b>	<b>1,081,652</b>	<b>8,823</b>	<b>-</b>	<b>(191,054)</b>
<b>Total primary government</b>	<b>\$ 6,118,477</b>	<b>\$ 1,945,236</b>	<b>\$ 735,238</b>	<b>\$ 582,536</b>	<b>\$ (2,855,467)</b>
<b>Component units</b>					
Downtown Development Authority	\$ 422,080	\$ 17,150	\$ 20,000	\$ -	\$ (384,930)
Local Development Finance Authority	75,252	-	-	-	(75,252)
Fremont Community Joint Planning Commission	4,518	-	-	-	(4,518)
<b>Total component units</b>	<b>\$ 501,850</b>	<b>\$ 17,150</b>	<b>\$ 20,000</b>	<b>\$ -</b>	<b>\$ (464,700)</b>

continued...

# CITY OF FREMONT, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (2,664,413)	\$ (191,054)	\$ (2,855,467)	\$ (464,700)
General revenues:				
Property taxes	1,650,513	-	1,650,513	406,547
Licenses and permits	34,670	-	34,670	-
Grants and contributions not restricted to specific programs	371,659	-	371,659	-
Gain on sale of capital assets	3,714	-	3,714	-
Unrestricted interest earnings	18,299	-	18,299	794
Miscellaneous	7,594	-	7,594	394
Total general revenues and transfers	2,086,449	-	2,086,449	407,735
Change in net position	(577,964)	(191,054)	(769,018)	(56,965)
Net position, beginning of year	17,142,857	13,683,957	30,826,814	211,564
Net position, end of year	\$ 16,564,893	\$ 13,492,903	\$ 30,057,796	\$ 154,599

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, 2014

	General Fund	Major Streets	Local Improvement
<b>Assets</b>			
Cash and investments	\$ 647,926	\$ 62,334	\$ 213,195
Receivables:			
Accounts	95,499	-	-
Special assessments	-	-	110,283
Due from other governments	62,202	39,571	-
<b>Total assets</b>	<b>\$ 805,627</b>	<b>\$ 101,905</b>	<b>\$ 323,478</b>
<b>Liabilities</b>			
Accounts payable	\$ 40,794	\$ -	\$ -
Accrued liabilities	25,912	732	-
Unearned revenue	30,384	-	-
<b>Total liabilities</b>	<b>97,090</b>	<b>732</b>	<b>-</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue - special assessments receivable	-	-	110,283
<b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	-	101,173	-
Committed	-	-	213,195
Assigned	135,860	-	-
Unassigned	572,677	-	-
<b>Total fund balances</b>	<b>708,537</b>	<b>101,173</b>	<b>213,195</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 805,627</b>	<b>\$ 101,905</b>	<b>\$ 323,478</b>



Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ 173,145	\$ 364,169	\$ 1,460,769
-	-	95,499
-	-	110,283
-	13,794	115,567
<u>\$ 173,145</u>	<u>\$ 377,963</u>	<u>\$ 1,782,118</u>
\$ 60,707	\$ -	\$ 101,501
-	626	27,270
77,000	-	107,384
<u>137,707</u>	<u>626</u>	<u>236,155</u>
-	-	110,283
-	330,029	330,029
-	47,308	148,481
35,438	-	248,633
-	-	135,860
-	-	572,677
<u>35,438</u>	<u>377,337</u>	<u>1,435,680</u>
<u>\$ 173,145</u>	<u>\$ 377,963</u>	<u>\$ 1,782,118</u>

# CITY OF FREMONT, MICHIGAN

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2014

Fund balances - total governmental funds	\$ 1,435,680
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	3,044,467
Capital assets being depreciated, net	11,851,937
Special assessment revenue is not recognized until it is receivable in the current period and, therefore, is shown as deferred inflows of resources in the governmental funds.	
	110,283
Internal service funds are used by management to charge the costs of certain activities, such as equipment usage and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities.	
Net position in the internal service fund	1,566,919
Net position of business-type activities accounted for in the internal service fund	(4,183)
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 and unamortized discount	(1,066,622)
Compensated absences payable	(287,896)
Net other postemployment benefits obligation	(78,758)
Accrued interest on bonds payable	(6,934)
	<hr/>
Net position of governmental activities	<u>\$ 16,564,893</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, 2014

	General Fund	Major Streets	Local Improvement
<b>Revenues</b>			
Property taxes	\$ 1,650,513	\$ -	\$ -
Special assessments	-	-	34,837
Licenses and permits	34,670	-	-
Intergovernmental:			
Federal	46,357	-	-
State	377,047	295,424	-
Local	45,000	-	-
Charges for services	477,370	-	-
Fines and forfeitures	19,803	-	-
Investment earnings	18,299	346	26,439
Other	401,183	109,106	-
<b>Total revenues</b>	<b>3,070,242</b>	<b>404,876</b>	<b>61,276</b>
<b>Expenditures</b>			
Current:			
General government	512,750	-	-
Public safety	1,194,983	-	-
Public works	664,129	205,257	-
Community and economic development	68,213	-	17,150
Culture and recreation	134,422	-	-
Other governmental functions	517,851	-	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
Capital outlay	33,652	-	-
<b>Total expenditures</b>	<b>3,126,000</b>	<b>205,257</b>	<b>17,150</b>
Revenues over (under) expenditures	(55,758)	199,619	44,126
<b>Other financing sources (uses)</b>			
Proceeds from sale of capital assets	6,449	-	-
Transfers in	22,000	-	-
Transfers out	(5,000)	(190,000)	-
<b>Total other financing sources (uses)</b>	<b>23,449</b>	<b>(190,000)</b>	<b>-</b>
Net change in fund balances	(32,309)	9,619	44,126
Fund balances, beginning of year	740,846	91,554	169,069
Fund balances, end of year	\$ 708,537	\$ 101,173	\$ 213,195



Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,650,513
-	-	34,837
-	-	34,670
-	-	46,357
25,000	119,026	816,497
268,900	144,338	458,238
-	4,275	481,645
-	-	19,803
262	1,255	46,601
-	-	510,289
<u>294,162</u>	<u>268,894</u>	<u>4,099,450</u>
-	-	512,750
-	-	1,194,983
-	89,704	959,090
-	-	85,363
141	-	134,563
-	-	517,851
-	100,000	100,000
-	43,021	43,021
<u>698,694</u>	<u>-</u>	<u>732,346</u>
<u>698,835</u>	<u>232,725</u>	<u>4,279,967</u>
<u>(404,673)</u>	<u>36,169</u>	<u>(180,517)</u>
-	-	6,449
230,000	65,000	317,000
-	(122,000)	(317,000)
<u>230,000</u>	<u>(57,000)</u>	<u>6,449</u>
<u>(174,673)</u>	<u>(20,831)</u>	<u>(174,068)</u>
<u>210,111</u>	<u>398,168</u>	<u>1,609,748</u>
<u>\$ 35,438</u>	<u>\$ 377,337</u>	<u>\$ 1,435,680</u>

# CITY OF FREMONT, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
To Change in Net Position of Governmental Activities  
For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds \$ (174,068)

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	476,948
Donated capital asset	179,115
Depreciation expense	(1,073,599)
Proceeds from sale of capital assets	(6,449)
Loss on sale of capital assets	(31,481)

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

Operating income from internal service funds	10,005
Operating income from business-type activities in internal service funds	(1,392)
Interest income from governmental activities in internal service funds	1,076
Gain on sale of capital assets from governmental activities in internal service funds	3,714
Other income from governmental activities in internal service funds	328

Governmental funds recognize special assessments as revenue as they become current; however, they are recognized in full when levied in the statement of activities. (24,699)

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

Principal payments on long-term 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 obligation	(28,072)
Change in compensated absences	(8,196)
Amortization of bond discount	(1,839)
Change in accrued interest payable	645

Change in net position of governmental activities \$ (577,964)

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 1,668,440	\$ 1,668,440	\$ 1,650,513	\$ (17,927)
Licenses and permits	44,800	44,800	34,670	(10,130)
Intergovernmental:				
Federal	-	46,347	46,357	10
State	376,500	376,500	377,047	547
Local	5,000	45,000	45,000	-
Charges for services	450,200	450,200	477,370	27,170
Fines and forfeitures	24,000	24,000	19,803	(4,197)
Investment earnings	17,000	17,000	18,299	1,299
Other	352,550	374,100	401,183	27,083
<b>Total revenues</b>	<b>2,938,490</b>	<b>3,046,387</b>	<b>3,070,242</b>	<b>23,855</b>
<b>Expenditures</b>				
Current:				
General government:				
Legislative	12,920	12,920	10,152	(2,768)
Executive	85,430	85,430	77,748	(7,682)
Elections	3,545	3,545	4,287	742
General administration	5,000	5,000	7,725	2,725
Clerk	63,275	63,275	55,353	(7,922)
Treasurer	61,990	61,990	56,953	(5,037)
Board of review	950	950	960	10
Assessor	52,395	56,895	55,742	(1,153)
Cemetery	98,590	98,590	89,280	(9,310)
Attorney	17,000	30,000	27,040	(2,960)
Building and grounds	95,450	95,450	92,876	(2,574)
Public relations	33,265	33,265	34,634	1,369
<b>Total general government</b>	<b>529,810</b>	<b>547,310</b>	<b>512,750</b>	<b>(34,560)</b>
Public safety:				
Police department	866,345	875,872	882,960	7,088
Fire department	274,835	305,182	312,023	6,841
<b>Total public safety</b>	<b>1,141,180</b>	<b>1,181,054</b>	<b>1,194,983</b>	<b>13,929</b>
Public works:				
Streets, street lighting and sidewalks	399,405	399,405	398,013	(1,392)
Sanitation	269,485	269,485	266,116	(3,369)
<b>Total public works</b>	<b>668,890</b>	<b>668,890</b>	<b>664,129</b>	<b>(4,761)</b>

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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (continued):				
Community and economic development:				
Planning and zoning	\$ 46,185	\$ 46,185	\$ 37,151	\$ (9,034)
Other	29,315	29,315	31,062	1,747
Total community and economic development	<u>75,500</u>	<u>75,500</u>	<u>68,213</u>	<u>(7,287)</u>
Culture and recreation:				
Parks and recreation	<u>122,945</u>	<u>133,945</u>	<u>134,422</u>	<u>477</u>
Other governmental functions:				
Employee fringe benefits and other items	393,970	399,930	407,433	7,503
Airport operations	57,015	102,265	107,185	4,920
Tax tribunal refunds ordered	5,000	5,000	3,233	(1,767)
Total other governmental functions	<u>455,985</u>	<u>507,195</u>	<u>517,851</u>	<u>10,656</u>
Capital outlay	<u>85,000</u>	<u>61,000</u>	<u>33,652</u>	<u>(27,348)</u>
Total expenditures	<u>3,079,310</u>	<u>3,174,894</u>	<u>3,126,000</u>	<u>(48,894)</u>
Revenues over (under) expenditures	<u>(140,820)</u>	<u>(128,507)</u>	<u>(55,758)</u>	<u>72,749</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	6,449	6,449
Transfers in	22,000	22,000	22,000	-
Transfers out	<u>(22,000)</u>	<u>(22,000)</u>	<u>(5,000)</u>	<u>17,000</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>23,449</u>	<u>23,449</u>
Net change in fund balance	(140,820)	(128,507)	(32,309)	96,198
Fund balance, beginning of year	<u>740,846</u>	<u>740,846</u>	<u>740,846</u>	<u>-</u>
Fund balance, end of year	<u>\$ 600,026</u>	<u>\$ 612,339</u>	<u>\$ 708,537</u>	<u>\$ 96,198</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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental:				
State	\$ 300,000	\$ 300,000	\$ 295,424	\$ (4,576)
Investment earnings	600	600	346	(254)
Other	52,000	94,178	109,106	14,928
<b>Total revenues</b>	<u>352,600</u>	<u>394,778</u>	<u>404,876</u>	<u>10,098</u>
<b>Expenditures</b>				
Current:				
Public works:				
Construction	45,000	57,178	57,385	207
Routine maintenance	49,030	49,030	44,077	(4,953)
Traffic services	14,230	14,230	9,319	(4,911)
Snow & ice control	25,460	41,460	38,597	(2,863)
Trunkline maintenance	60,000	46,000	55,879	9,879
<b>Total expenditures</b>	<u>193,720</u>	<u>207,898</u>	<u>205,257</u>	<u>(2,641)</u>
<b>Revenues over expenditures</b>	158,880	186,880	199,619	12,739
<b>Other financing uses</b>				
Transfers out	(230,000)	(230,000)	(190,000)	40,000
<b>Net change in fund balance</b>	(71,120)	(43,120)	9,619	52,739
<b>Fund balance, beginning of year</b>	<u>91,554</u>	<u>91,554</u>	<u>91,554</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 20,434</u>	<u>\$ 48,434</u>	<u>\$ 101,173</u>	<u>\$ 52,739</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, 2014

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Special assessments	\$ 40,000	\$ 40,000	\$ 34,837	\$ (5,163)
Investment earnings	7,500	7,500	26,439	18,939
<b>Total revenues</b>	<b>47,500</b>	<b>47,500</b>	<b>61,276</b>	<b>13,776</b>
<b>Expenditures</b>				
Current:				
Community and economic development	17,150	17,150	17,150	-
<b>Net change in fund balance</b>	<b>30,350</b>	<b>30,350</b>	<b>44,126</b>	<b>13,776</b>
Fund balance, beginning of year	169,069	169,069	169,069	-
<b>Fund balance, end of year</b>	<b>\$ 199,419</b>	<b>\$ 199,419</b>	<b>\$ 213,195</b>	<b>\$ 13,776</b>

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

# CITY OF FREMONT, MICHIGAN

## Statement of Net Position

Proprietary Funds

June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 1,207,585	\$ 1,383,188	\$ 2,590,773	\$ 514,562
Accounts receivable	135,572	179,453	315,025	-
Total current assets	<u>1,343,157</u>	<u>1,562,641</u>	<u>2,905,798</u>	<u>514,562</u>
Noncurrent assets:				
Capital assets, net				
Land	228,972	11,726	240,698	-
Buildings	-	-	-	632,455
Utility systems	10,248,724	7,882,269	18,130,993	-
Equipment	100,418	58,386	158,804	2,942,008
Construction in progress	168,985	75,534	244,519	-
Accumulated depreciation	(5,652,119)	(2,371,022)	(8,023,141)	(2,398,436)
Total noncurrent assets	<u>5,094,980</u>	<u>5,656,893</u>	<u>10,751,873</u>	<u>1,176,027</u>
<b>Total assets</b>	<u>6,438,137</u>	<u>7,219,534</u>	<u>13,657,671</u>	<u>1,690,589</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	108,160	33,514	141,674	-
Accrued liabilities	4,080	4,133	8,213	1,164
Current portion of long-term debt	6,117	12,947	19,064	60,469
Total current liabilities	<u>118,357</u>	<u>50,594</u>	<u>168,951</u>	<u>61,633</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	-	-	-	62,037
<b>Total liabilities</b>	<u>118,357</u>	<u>50,594</u>	<u>168,951</u>	<u>123,670</u>
<b>Net position</b>				
Net investment in capital assets	5,094,980	5,656,893	10,751,873	1,053,521
Unrestricted	<u>1,224,800</u>	<u>1,512,047</u>	<u>2,736,847</u>	<u>513,398</u>
<b>Total net position</b>	<u>\$ 6,319,780</u>	<u>\$ 7,168,940</u>	<u>13,488,720</u>	<u>\$ 1,566,919</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>4,183</u>	
<b>Net position of business-type activities</b>			<u>\$ 13,492,903</u>	

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

# CITY OF FREMONT, MICHIGAN

## Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Revenues				
Charges for services	\$ 449,554	\$ 632,098	\$ 1,081,652	\$ 475,778
Operating expenses				
Administration	94,590	100,250	194,840	59,934
Operations	322,190	351,696	673,886	177,247
Depreciation	261,223	152,972	414,195	228,592
Total operating expenses	678,003	604,918	1,282,921	465,773
Operating income (loss)	(228,449)	27,180	(201,269)	10,005
Nonoperating revenues				
Investment income	4,551	4,272	8,823	1,076
Gain on sale of capital assets	-	-	-	3,714
Other	-	-	-	328
Total nonoperating revenues	4,551	4,272	8,823	5,118
Change in net position	(223,898)	31,452	(192,446)	15,123
Net position, beginning of year	6,543,678	7,137,488	13,681,166	1,551,796
Net position, end of year	\$ 6,319,780	\$ 7,168,940	\$ 13,488,720	\$ 1,566,919
Reconciliation of change in net position to the Statement of Activities				
Change in net position			(192,446)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			1,392	
Change in net position of business-type activities			\$ (191,054)	

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, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 444,559	\$ 605,040	\$ 1,049,599	\$ -
Receipts from interfund services provided	-	-	-	476,106
Payments to suppliers	(23,162)	(123,828)	(146,990)	(177,247)
Payments to employees	(249,281)	(267,284)	(516,565)	(59,402)
Payments for interfund services used	(34,521)	(24,258)	(58,779)	-
<b>Net cash provided by operating activities</b>	<u>137,595</u>	<u>189,670</u>	<u>327,265</u>	<u>239,457</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from sale of capital assets	-	-	-	7,700
Purchase of capital assets	(243,985)	(116,048)	(360,033)	(102,555)
Principal payments on long-term debt	-	-	-	(59,202)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(243,985)</u>	<u>(116,048)</u>	<u>(360,033)</u>	<u>(154,057)</u>
<b>Cash flows from investing activities</b>				
Interest received	4,551	4,272	8,823	1,076
<b>Net increase (decrease) in cash and investments</b>	<u>(101,839)</u>	<u>77,894</u>	<u>(23,945)</u>	<u>86,476</u>
<b>Cash and investments, beginning of year</b>	<u>1,309,424</u>	<u>1,305,294</u>	<u>2,614,718</u>	<u>428,086</u>
<b>Cash and investments, end of year</b>	<u>\$ 1,207,585</u>	<u>\$ 1,383,188</u>	<u>\$ 2,590,773</u>	<u>\$ 514,562</u>
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ (228,449)	\$ 27,180	\$ (201,269)	\$ 10,005
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Other revenue	-	-	-	328
Depreciation	261,223	152,972	414,195	228,592
Changes in assets/liabilities:				
Accounts receivable	(4,995)	(27,058)	(32,053)	-
Accounts payable	108,160	33,514	141,674	-
Accrued liabilities	1,304	708	2,012	532
Compensated absences	352	2,354	2,706	-
<b>Net cash provided by operating activities</b>	<u>\$ 137,595</u>	<u>\$ 189,670</u>	<u>\$ 327,265</u>	<u>\$ 239,457</u>

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

CITY OF FREMONT, MICHIGAN

**Statement of Fiduciary Net Position**  
 Fiduciary Funds  
 June 30, 2014

	Agency Funds	Other Post- Employment Benefits Trust
<b>Assets</b>		
Cash and investments	\$ 51,598	\$ -
Funds on deposit with MERS	-	12,243
Receivables	5,393	-
Due from other governmental units	300	-
	<u>57,291</u>	<u>12,243</u>
<b>Total assets</b>	<b>\$ 57,291</b>	<b>12,243</b>
<b>Liabilities</b>		
Accounts payable	\$ 683	-
Due to other governmental units	56,608	-
	<u>57,291</u>	<u>-</u>
<b>Net position</b>		
Restricted for OPEB		<u>\$ 12,243</u>

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

# CITY OF FREMONT, MICHIGAN

## Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Year Ended June 30, 2014

	Other Post- Employment Benefits Trust
Additions	
Investment earnings	\$ 1,056
Change in net position	1,056
Net position, beginning of year	11,187
Net position, end of year	\$ 12,243

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

# CITY OF FREMONT, MICHIGAN

## Combining Statement of Net Position Discretely Presented Component Units June 30, 2014

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
<b>Assets</b>				
Cash and investments	\$ 73,858	\$ 10,528	\$ 40,539	\$ 124,925
Receivables	32,595	-	-	32,595
<b>Total assets</b>	<b>106,453</b>	<b>10,528</b>	<b>40,539</b>	<b>157,520</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	2,377	-	544	2,921
<b>Net position</b>				
Unrestricted	\$ 104,076	\$ 10,528	\$ 39,995	\$ 154,599

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, 2014

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
<b>Expenses</b>				
Downtown Development Authority	\$ 422,080	\$ -	\$ -	\$ 422,080
Local Development Finance Authority	-	75,252	-	75,252
Fremont Community Joint Planning Commission	-	-	4,518	4,518
<b>Total expenses</b>	<b>422,080</b>	<b>75,252</b>	<b>4,518</b>	<b>501,850</b>
<b>Program revenues</b>				
Charges for services	17,150	-	-	17,150
Operating grants and contributions	20,000	-	-	20,000
<b>Total program revenues</b>	<b>37,150</b>	<b>-</b>	<b>-</b>	<b>37,150</b>
<b>Net expense</b>	<b>(384,930)</b>	<b>(75,252)</b>	<b>(4,518)</b>	<b>(464,700)</b>
<b>General revenues</b>				
Property taxes	384,568	21,979	-	406,547
Unrestricted investment earnings	326	325	142	793
Miscellaneous	395	-	-	395
<b>Total general revenues</b>	<b>385,289</b>	<b>22,304</b>	<b>142</b>	<b>407,735</b>
<b>Change in net position</b>	<b>359</b>	<b>(52,948)</b>	<b>(4,376)</b>	<b>(56,965)</b>
<b>Net position, beginning of year</b>	<b>103,717</b>	<b>63,476</b>	<b>44,371</b>	<b>211,564</b>
<b>Net position, end of year</b>	<b>\$ 104,076</b>	<b>\$ 10,528</b>	<b>\$ 39,995</b>	<b>\$ 154,599</b>

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

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## NOTES TO FINANCIAL STATEMENTS

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Reporting Entity

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

#### *Blended Component Unit*

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

#### *Discretely Presented Component Units*

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

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

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

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### *Joint Ventures*

Fremont Community Joint Planning Commission (Planning Commission) - The City entered into an agreement with two local townships to form a joint planning commission to cooperate on planning and zoning issues by jointly planning for land use and jointly exercising zoning powers. During the year ended June 30, 2014, the City made no contributions to the Planning Commission.

Fremont Community Recreational Authority (Recreational Authority) - The City entered into an agreement with three local townships to form a recreational authority for the purpose of the acquisition, construction, operation, maintenance, or improvement of public recreation centers, public parks, and recreation facilities. During the year ended June 30, 2014, the City made a \$6,000 contribution to the Recreational Authority.

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

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

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

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

### *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

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

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

The City reports the following major governmental funds:

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

The *Major Streets fund* accounts for 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.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

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.

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, 2014. 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.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

6. The legal level of budgetary control is at the department level.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

Assets, liabilities, deferred inflows of resources, and equity

### *Cash and Investments*

For purposes of the statement of cash flows, the City considers all assets held in highly liquid investments with an original maturity of three months or less to be cash and temporary investments. Investments are stated at fair value in accordance with GASB Statement No. 31.

### *Receivables and Payables*

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

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

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

### *Special Assessments*

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

### *Due from Other Governments*

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

### *Prepaid Items*

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### *Capital Assets*

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

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

### *Compensated Absences*

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

### *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 position. 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 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.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

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.

### *Deferred Inflows of Resources*

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

### *Property Taxes*

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

### *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.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### *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.

## 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2014, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund:			
General government:			
Elections	\$ 3,545	\$ 4,287	\$ 742
General administration	5,000	7,725	2,725
Board of review	950	960	10
Public relations	33,265	34,634	1,369
Public safety:			
Police department	875,872	882,960	7,088
Fire department	305,182	312,023	6,841
Community and economic development:			
Other	29,315	31,062	1,747
Other governmental functions:			
Employee fringe benefits and other items	399,930	407,433	7,503
Airport operations	102,265	107,185	4,920
Major Streets:			
Public works:			
Construction	57,178	57,385	207
Trunkline maintenance	46,000	55,879	9,879

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2014:

	Primary Government	Component Units	Agency Funds	Fiduciary Funds	Total
Cash and investments	\$ 4,566,104	\$ 124,925	\$ 51,598	\$ -	\$ 4,742,627
Funds on deposit with MERS	-	-	-	12,243	12,243
	<u>\$ 4,566,104</u>	<u>\$ 124,925</u>	<u>\$ 51,598</u>	<u>\$ 12,243</u>	<u>\$ 4,754,870</u>

The City's deposits are in seven (7) 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, 2014:

Checking/savings accounts	\$ 2,039,242
Certificates of deposit:	
Due within one year	698,480
Due in one to five years	781,406
Investments	1,222,723
Funds on deposit with MERS	12,243
Petty cash	776
Total cash and investments	<u>\$ 4,754,870</u>

#### *Statutory Authority*

State statutes authorize the City to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

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, 2014, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 789,219	AAAm (S&P)
Federal Home Loan Bank	6/13/2016	126,364	AA- (S&P)
Federal Home Loan Mortgage Corp	7/23/2032	95,548	AA+ (S&P)
Federal Home Loan Bank	11/23/2027	89,530	AA+ (S&P)
Federal Home Loan Mortgage Corp	6/28/2027	<u>122,062</u>	AA+ (S&P)
Total investments		<u>\$ 1,222,723</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.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified under "statutory authority" above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. The City minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City's investment policy. As of year-end, \$2,199,403 of the City's bank balance of \$3,638,840 was exposed to custodial credit risk because it was uninsured and uncollateralized.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

*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

At June 30, 2014, the City’s receivables consisted of the following:

	Governmental Activities	Business-type Activities	Component Units	Agency Funds
Accounts	\$ 95,499	\$ 315,025	\$ -	\$ 5,393
Due from other governments	115,567	-	-	300
Special assessments	110,283	-	-	-
Notes	-	-	32,595	-
<b>Total</b>	<b>\$ 321,349</b>	<b>\$ 315,025</b>	<b>\$ 32,595</b>	<b>\$ 5,693</b>

Of the amounts reported above, \$81,229 of special assessments receivable reported in the Local Improvement fund are not expected to be collected within one year.

### 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At June 30, 2014, the City’s accounts payable and accrued expenses were as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 101,501	\$ 141,674	\$ 544
Salaries payable	28,434	8,213	2,377
Accrued interest payable	6,934	-	-
<b>Total</b>	<b>\$ 136,869</b>	<b>\$ 149,887</b>	<b>\$ 2,921</b>

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 3,026,168	\$ -	\$ (5,000)	\$ -	\$ 3,021,168
Construction in progress	37,500	23,299	-	(37,500)	23,299
	<u>3,063,668</u>	<u>23,299</u>	<u>(5,000)</u>	<u>(37,500)</u>	<u>3,044,467</u>
Capital assets, being depreciated:					
Land improvements	1,291,160	383,694	-	-	1,674,854
Buildings and improvements	4,790,087	-	(36,589)	-	4,753,498
Vehicles and equipment	3,639,004	102,555	(21,742)	-	3,719,817
Infrastructure	18,317,734	249,070	-	37,500	18,604,304
	<u>28,037,985</u>	<u>735,319</u>	<u>(58,331)</u>	<u>37,500</u>	<u>28,752,473</u>
Less accumulated depreciation for:					
Land improvements	(472,532)	(76,926)	-	-	(549,458)
Buildings and improvements	(2,702,135)	(147,306)	3,659	-	(2,845,782)
Vehicles and equipment	(2,713,941)	(227,245)	17,756	-	(2,923,430)
Infrastructure	(8,555,125)	(850,714)	-	-	(9,405,839)
	<u>(14,443,733)</u>	<u>(1,302,191)</u>	<u>21,415</u>	<u>-</u>	<u>(15,724,509)</u>
Total capital assets being depreciated, net	<u>13,594,252</u>	<u>(566,872)</u>	<u>(36,916)</u>	<u>37,500</u>	<u>13,027,964</u>
Governmental activities capital assets, net	<u>\$ 16,657,920</u>	<u>\$ (543,573)</u>	<u>\$ (41,916)</u>	<u>\$ -</u>	<u>\$ 16,072,431</u>

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

<b>Governmental activities</b>	
General government	\$ 86,724
Public safety	16,641
Public works	917,550
Culture and recreation	52,684
Depreciation charged to Internal Service Funds	<u>228,592</u>
	<u>\$ 1,302,191</u>

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Business-type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 240,698	\$ -	\$ -	\$ -	\$ 240,698
Construction in progress	-	244,519	-	-	244,519
	<u>240,698</u>	<u>244,519</u>	<u>-</u>	<u>-</u>	<u>485,217</u>
Capital assets, being depreciated:					
Utility systems	18,015,479	115,514	-	-	18,130,993
Equipment	158,804	-	-	-	158,804
	<u>18,174,283</u>	<u>115,514</u>	<u>-</u>	<u>-</u>	<u>18,289,797</u>
Less accumulated depreciation for:					
Utility systems	(7,460,940)	(411,174)	-	-	(7,872,114)
Equipment	(148,006)	(3,021)	-	-	(151,027)
	<u>(7,608,946)</u>	<u>(414,195)</u>	<u>-</u>	<u>-</u>	<u>(8,023,141)</u>
Total capital assets					
being depreciated, net	<u>10,565,337</u>	<u>(298,681)</u>	<u>-</u>	<u>-</u>	<u>10,266,656</u>
Business-type activities					
capital assets, net	<u>\$ 10,806,035</u>	<u>\$ (54,162)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,751,873</u>

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

<b>Business-type activities</b>	
Sewer	\$ 261,223
Water	<u>152,972</u>
	<u>\$ 414,195</u>

The City has outstanding commitments under construction contracts totaling approximately \$142,000 at June 30, 2014.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 7. LONG-TERM DEBT

The following is a summary of the debt transactions for the City during the year ended June 30, 2014:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
2006 Capital Improvement Bonds due in annual installments of \$100,000 to \$150,000 including interest at 3.87% through November 2021	\$ 1,175,000	\$ -	\$ (100,000)	\$ 1,075,000	\$ 125,000
Fire Truck installment purchase due in annual installments of \$63,000 including interest at 2.14% through August 2015	181,708	-	(59,202)	122,506	60,469
Subtotal - installment debt	1,356,708	-	(159,202)	1,197,506	185,469
Unamortized discount	(10,217)	-	1,839	(8,378)	(1,661)
Compensated absences	279,700	121,838	(113,642)	287,896	119,339
<b>Total governmental activities</b>	<b>\$ 1,626,191</b>	<b>\$ 121,838</b>	<b>\$ (271,005)</b>	<b>\$ 1,477,024</b>	<b>\$ 303,147</b>
<b>Business-type Activities</b>					
Compensated absences	\$ 16,358	\$ 19,064	\$ (16,358)	\$ 19,064	\$ 19,064

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 185,469	\$ 41,715
2016	187,037	35,584
2017	125,000	29,509
2018	125,000	24,671
2019	125,000	19,834
2020-2022	450,000	26,124
	<u>\$ 1,197,506</u>	<u>\$ 177,437</u>

The City was in compliance in all material respects with all bond indentures at June 30, 2014.

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 8. INTERFUND BALANCES AND TRANSFERS

An interfund balance exists between governmental activities and business-type activities in the amount of \$4,183. This resulted from the allocation of a portion of internal service fund net position of governmental-type internal service funds to business-type activities.

The composition of interfund transfers as of June 30, 2014 is as follows:

Transfers out	Transfers In			Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ -	\$ 5,000	\$ 5,000
Major Streets fund	-	130,000	60,000	190,000
Nonmajor governmental funds	22,000	100,000	-	122,000
	<u>\$ 22,000</u>	<u>\$ 230,000</u>	<u>\$ 65,000</u>	<u>\$ 317,000</u>

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 9. FUND BALANCES - 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:						
Permanent corpus	\$ -	\$ -	\$ -	\$ -	\$ 330,029	\$ 330,029
Restricted for:						
Highways and streets	-	101,173	-	-	47,308	148,481
Committed for:						
Capital projects	-	-	213,195	35,438	-	248,633
Assigned for:						
Subsequent year's budget	135,860	-	-	-	-	135,860
Unassigned	572,677	-	-	-	-	572,677
<b>Total fund balances, governmental funds</b>	<b>\$ 708,537</b>	<b>\$ 101,173</b>	<b>\$ 213,195</b>	<b>\$ 35,438</b>	<b>\$ 377,337</b>	<b>\$ 1,435,680</b>

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 10. CONTINGENT LIABILITIES

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

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

### 11. LEASES

The City leases land and vehicles under noncancelable operating leases. For the year ended June 30, 2014, rental expense on the operating leases was approximately \$3,200. The future minimum lease payments for these leases are as follows for the years ending June 30:

Year Ended June 30,	Amount
2015	<u>\$ 3,200</u>

The City also received \$14,165 from noncancelable operating leases for land use and hanger rental during the year ended June 30, 2014, 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
2015	\$ 6,006
2016	6,006
2017	4,446
2018	4,446
2019	4,446
2020-2024	15,030
2025-2029	4,230
2030-2034	<u>3,384</u>
	<u>\$ 47,994</u>

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 12. RISK MANAGEMENT

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

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

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

### 13. PENSION PLANS

#### *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.

##### *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, 2014 varied from 15.85 to 27.11 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.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

For the year ended June 30, 2014 the City's annual pension cost of \$340,512 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2011 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% adjusted 1% for wage inflation through calendar year 2016. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. 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, 2013, the date of the latest actuarial valuation, was 25 years.

Years Ended June 30,	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2012	\$ 319,425	100%	\$ -
2013	311,763	100%	-
2014	340,512	100%	-

### *Funded Status and Funding Progress*

As of December 31, 2013, the most recent actuarial valuation date, the plan was 60 percent funded. The actuarial accrued liability for benefits was \$10,675,393, and the actuarial value of assets was \$6,408,466, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,266,927. The covered payroll (annual payroll of active employees covered by the plan) was \$1,462,191, and the ratio of the UAAL to the covered payroll was 292 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.

## 14. 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. As of June 30, 2014, the date of the last plan valuation, the Plan covered 29 members (24 active plan members, and 5 retirees receiving benefits).

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### *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 benefits as determined annually by the City. For the year ended June 30, 2014, the total premiums were \$18,846. The City contributed \$9,423 to the Plan. Retirees receiving benefits contributed \$9,423 or 50 percent of the total premiums.

### *Annual OPEB Cost and Net OPEB Obligation*

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

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

Annual required contribution	\$ 37,758
Interest on net OPEB obligation	1,521
Adjustment to annual required contribution	<u>(1,784)</u>
Net OPEB cost	37,495
Contributions made	<u>9,423</u>
Increase in net OPEB obligation	28,072
Net OPEB obligation, beginning of year	<u>50,686</u>
Net OPEB obligation, end of year	<u><u>\$ 78,758</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 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
2012	\$ 33,767	85%	\$ 12,566
2013	50,635	25%	50,686
2014	37,495	25%	78,758

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### *Funded Status and Funding Progress*

As of June 30, 2014, the most recent actuarial valuation date, the plan was 3% funded. The actuarial accrued liability for benefits was \$411,579, and the actuarial value of assets was \$12,243, resulting in an unfunded actuarial accrued liability (UAAL) of \$399,336. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,273,852 and the ratio of the UAAL to the covered payroll was 31 percent.

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

### *Funded status and funding progress*

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 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.

*Retirement age for active employees*—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60.

*Marital status*—Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality*—Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2006 United States Life Tables for Males and for Females were used.

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

*Healthcare cost trend rate*—The expected rate of increase in healthcare insurance premiums was based on projections by the City's management. A rate of 9 percent was used for 2015 and 5 percent for each following year.

*Health insurance premiums*—2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

Inflation rate—The expected long-term inflation assumption of 4 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in The 2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds for an intermediate growth scenario.

Payroll growth rate—The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 30 years.

### 15. ECONOMIC DEPENDENCY

The City's Sewer and Water funds have a significant economic dependence on a local corporation. During the year ended June 30, 2014, the corporation's billings for utilities approximated 30% of total combined billings in the Sewer and Water funds.

### 16. NET INVESTMENT IN CAPITAL ASSETS

The compensation of net investment in capital assets as of June 30, 2014, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,044,467	\$ 485,217
Capital assets being depreciated, net	13,027,964	10,266,656
	<u>16,072,431</u>	<u>10,751,873</u>
Related debt:		
Bonds payable	1,075,000	-
Unamortized bond discount	(8,378)	-
Installment purchase agreement	122,506	-
	<u>1,189,128</u>	<u>-</u>
Net investment in capital assets	<u>\$ 14,883,303</u>	<u>\$ 10,751,873</u>



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## 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)
12/31/2008	\$ 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%
12/31/2011	6,268,949	9,528,751	3,259,802	66%	1,461,349	223%
12/31/2012	6,311,263	10,040,007	3,728,744	63%	1,317,776	283%
12/31/2013	6,408,466	10,675,393	4,266,927	60%	1,462,191	292%

Schedule of Employer Contributions		
Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2009	\$ 267,000	100%
2010	258,700	100%
2011	315,200	100%
2012	319,425	100%
2013	311,763	100%
2014	340,512	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%	*	*
6/30/2013	11,187	378,498	367,311	3%	1,237,536	30%
6/30/2014	12,243	411,579	399,336	3%	1,273,852	31%

Schedule of Employer Contributions		
Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2012	\$ 34,906	84%
2013	34,573	36%
2014	37,758	25%

\* Information not available

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**COMBINING FUND  
FINANCIAL STATEMENTS**

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## NONMAJOR GOVERNMENTAL FUNDS

# CITY OF FREMONT, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue	Debt Service	Permanent	
	Local Streets	Construction Bond	Cemetery Perpetual Care	Totals
<b>Assets</b>				
Cash and investments	\$ 27,326	\$ 6,814	\$ 330,029	\$ 364,169
Due from other governments	13,794	-	-	13,794
<b>Total assets</b>	<b>\$ 41,120</b>	<b>\$ 6,814</b>	<b>\$ 330,029</b>	<b>\$ 377,963</b>
<b>Liabilities</b>				
Accrued liabilities	\$ 626	\$ -	\$ -	\$ 626
<b>Fund balances</b>				
Nonspendable	-	-	330,029	330,029
Restricted	40,494	6,814	-	47,308
<b>Total fund balances</b>	<b>40,494</b>	<b>6,814</b>	<b>330,029</b>	<b>377,337</b>
<b>Total liabilities and fund balances</b>	<b>\$ 41,120</b>	<b>\$ 6,814</b>	<b>\$ 330,029</b>	<b>\$ 377,963</b>

# CITY OF FREMONT, MICHIGAN

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2014

	Special Revenue	Debt Service	Permanent	
	Local Streets	Construction Bond	Cemetery Perpetual Care	Totals
<b>Revenues</b>				
Intergovernmental:				
State	\$ 119,026	\$ -	\$ -	\$ 119,026
Local	-	144,338	-	144,338
Charges for services	-	-	4,275	4,275
Investment earnings	134	100	1,021	1,255
<b>Total revenues</b>	<b>119,160</b>	<b>144,438</b>	<b>5,296</b>	<b>268,894</b>
<b>Expenditures</b>				
Current:				
Public works	89,704	-	-	89,704
Debt service:				
Principal	-	100,000	-	100,000
Interest and fees	-	43,021	-	43,021
<b>Total expenditures</b>	<b>89,704</b>	<b>143,021</b>	<b>-</b>	<b>232,725</b>
Revenues over expenditures	29,456	1,417	5,296	36,169
<b>Other financing sources (uses)</b>				
Transfers in	65,000	-	-	65,000
Transfers out	(100,000)	-	(22,000)	(122,000)
<b>Total other financing sources (uses)</b>	<b>(35,000)</b>	<b>-</b>	<b>(22,000)</b>	<b>(57,000)</b>
Net change in fund balances	(5,544)	1,417	(16,704)	(20,831)
Fund balances, beginning of year	46,038	5,397	346,733	398,168
Fund balances, end of year	\$ 40,494	\$ 6,814	\$ 330,029	\$ 377,337

# CITY OF FREMONT, MICHIGAN

## Combining Statement of Fiduciary Assets and Liabilities

Agency Funds  
June 30, 2014

	Trust & Agency Fund	Fremont Community Recreation Authority	Totals
<b>Assets</b>			
Cash and investments	\$ 45,404	\$ 6,194	\$ 51,598
Receivables	5,393	-	5,393
Due from other governmental units	300	-	300
<b>Total assets</b>	<u>\$ 51,097</u>	<u>\$ 6,194</u>	<u>\$ 57,291</u>
<b>Liabilities</b>			
Accounts payable	\$ 393	\$ 290	\$ 683
Due to other governmental units	50,704	5,904	56,608
<b>Total liabilities</b>	<u>\$ 51,097</u>	<u>\$ 6,194</u>	<u>\$ 57,291</u>

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