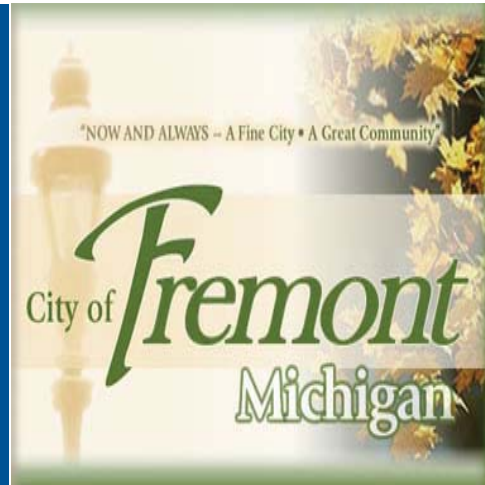


City of Fremont,  
Michigan



Year Ended  
June 30, 2016

Financial  
Statements

# CITY OF FREMONT, MICHIGAN

## Table of Contents

	<u>Page</u>
Elected and Appointed Officials	1
Independent Auditors' Report	3
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet - Governmental Funds	24
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	26
Reconciliation of Net Changes in Fund Balances of Governmental Funds to Change in Net Position of Governmental Activities	27
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	28
Local Improvement Special Revenue Fund	30
Statement of Net Position - Proprietary Funds	31
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	32
Statement of Cash Flows - Proprietary Funds	33
Statement of Fiduciary Net Position - Fiduciary Funds	34
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	35
Combining Statement of Net Position - Discretely Presented Component Units	36
Combining Statement of Activities - Discretely Presented Component Units	37
Notes to Financial Statements	39
Required Supplementary Information	
MERS Agent Multiple-Employer Plan:	
Schedule of Changes in City's Net Pension Liability and Related Ratios	66
Schedule of the Net Pension Liability	67
Schedule of Contributions	68
Single Employer Other Postemployment Benefit Plan:	
Schedules of Funding Progress and Employer Contributions	69

# CITY OF FREMONT, MICHIGAN

## Table of Contents

	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	76
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Major Streets Special Revenue Fund	78
Local Streets Special Revenue Fund	79
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	80

# CITY OF FREMONT, MICHIGAN

## Elected and Appointed Officials For the Year Ended June 30, 2016

### 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

This page intentionally left blank.

**INDEPENDENT AUDITORS' REPORT**

September 27, 2016

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, 2016, 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, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund 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 for the pension and other postemployment benefit plans as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

*Rehmann Lobson 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, 2016. 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 \$30,344,155, total deferred outflows of resources of \$1,273,266, and total liabilities of \$8,081,838, leaving net position of \$23,535,583.
- The City implemented GASB Statement No. 68 in the prior year. In addition to expanded disclosure requirements, the City is required to report its net pension liability on the statement of net position. This change has contributed to a total unrestricted net deficit of governmental activities of \$2,992,429.
- Total revenues, including all program and general revenues, were \$4,987,004, comprised of governmental revenues of \$3,732,953 and business-type revenues of \$1,254,051.
- Total expenses for all of the City's programs were \$6,347,485. Of that total, the governmental expenses were \$4,979,257 and the business-type expenses were \$1,368,228.
- 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.

### 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, deferred outflows of resources and liabilities, with the residual reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. The City reports all changes in net position when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and 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 and Local Improvement 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 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. This is limited to this management's discussion and analysis and the schedules for the MERS pension and other postemployment benefits plans immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

### Government-Wide Financial Analysis

Recall that the statement of net position provides the perspective of the City as a whole. The following table provides a summary of the City's net position. As of June 30, 2016, the City's net position from governmental activities totaled \$11,167,720 and \$12,367,863 from business-type activities, for a government-wide net position total of \$23,535,583.

In examining the composition of net position, the reader should note that the amount of governmental activities invested in capital assets (i.e., streets, buildings, furniture and equipment, etc.) are used to provide services to the residents, and are not available to pay salaries or operational expenses or to fund capital projects. The unrestricted net deficit for governmental activities was \$2,992,429. This large deficit was a result of the implementation of GASB 68 in the prior year as noted above.

# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

Governmental activities current and other assets increased by \$102,673. This increase is attributable to an increase in cash and investments. Capital asset additions related to construction projects and equipment purchases were \$186,223, net of depreciation expense of \$1,357,707, contributing to the decrease in capital assets of \$1,171,484. Total long-term liabilities decreased by \$158,212, 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, completed prior to June 30, 2016, for which amounts were payable at year end, resulting in an increase in other liabilities.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 2,461,433	\$ 2,358,760	\$ 2,958,811	\$ 2,800,818	\$ 5,420,244	\$ 5,159,578
Capital assets, net	14,135,149	15,306,633	10,788,762	10,755,271	24,923,911	26,061,904
Total assets	<u>16,596,582</u>	<u>17,665,393</u>	<u>13,747,573</u>	<u>13,556,089</u>	<u>30,344,155</u>	<u>31,221,482</u>
Deferred outflows of resources	988,055	218,661	285,211	63,118	1,273,266	281,779
Current and other liabilities	5,278,510	4,173,411	1,635,552	1,112,289	6,914,062	5,285,700
Long-term liabilities	1,138,407	1,296,619	29,369	24,878	1,167,776	1,321,497
Total liabilities	<u>6,416,917</u>	<u>5,470,030</u>	<u>1,664,921</u>	<u>1,137,167</u>	<u>8,081,838</u>	<u>6,607,197</u>
Net position:						
Net investment in capital assets	13,315,404	14,301,220	10,788,762	10,755,271	24,104,166	25,056,491
Restricted	844,745	662,933	-	-	844,745	662,933
Unrestricted (deficit)	(2,992,429)	(2,550,129)	1,579,101	1,726,769	(1,413,328)	(823,360)
Total net position	<u>\$11,167,720</u>	<u>\$12,414,024</u>	<u>\$12,367,863</u>	<u>\$12,482,040</u>	<u>\$23,535,583</u>	<u>\$24,896,064</u>

# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

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

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 875,886	\$ 1,005,020	\$ 1,243,501	\$ 1,173,226	\$ 2,119,387	\$ 2,178,246
Operating grants	505,011	519,318	9,050	7,524	514,061	526,842
Capital grants	236,714	359,880	1,500	3,000	238,214	362,880
General revenues:						
Property taxes	1,629,775	1,620,925	-	-	1,629,775	1,620,925
Licenses and permits	52,354	59,398	-	-	52,354	59,398
Unrestricted grants	403,295	379,650	-	-	403,295	379,650
Gain on sale of capital assets	7,752	3,908	-	-	7,752	3,908
Unrestricted investment earnings	13,166	24,852	-	-	13,166	24,852
Miscellaneous	9,000	5,626	-	-	9,000	5,626
<b>Total revenues</b>	<b>3,732,953</b>	<b>3,978,577</b>	<b>1,254,051</b>	<b>1,183,750</b>	<b>4,987,004</b>	<b>5,162,327</b>
<b>Expenses</b>						
General government	960,089	758,730	-	-	960,089	758,730
Public safety	1,928,318	1,463,278	-	-	1,928,318	1,463,278
Public works	1,679,934	2,120,608	-	-	1,679,934	2,120,608
Community and economic development	106,444	96,029	-	-	106,444	96,029
Culture and recreation	269,902	235,299	-	-	269,902	235,299
Interest on long-term debt	34,570	41,045	-	-	34,570	41,045
Sewer	-	-	646,422	555,612	646,422	555,612
Water	-	-	721,806	653,384	721,806	653,384
<b>Total expenses</b>	<b>4,979,257</b>	<b>4,714,989</b>	<b>1,368,228</b>	<b>1,208,996</b>	<b>6,347,485</b>	<b>5,923,985</b>
<b>Change in net position</b>	<b>(1,246,304)</b>	<b>(736,412)</b>	<b>(114,177)</b>	<b>(25,246)</b>	<b>(1,360,481)</b>	<b>(761,658)</b>
<b>Net position, beginning of year</b>	<b>12,414,024</b>	<b>13,150,436</b>	<b>12,482,040</b>	<b>12,507,286</b>	<b>24,896,064</b>	<b>25,657,722</b>
<b>Net position, end of year</b>	<b>\$11,167,720</b>	<b>\$12,414,024</b>	<b>\$12,367,863</b>	<b>\$12,482,040</b>	<b>\$23,535,583</b>	<b>\$24,896,064</b>

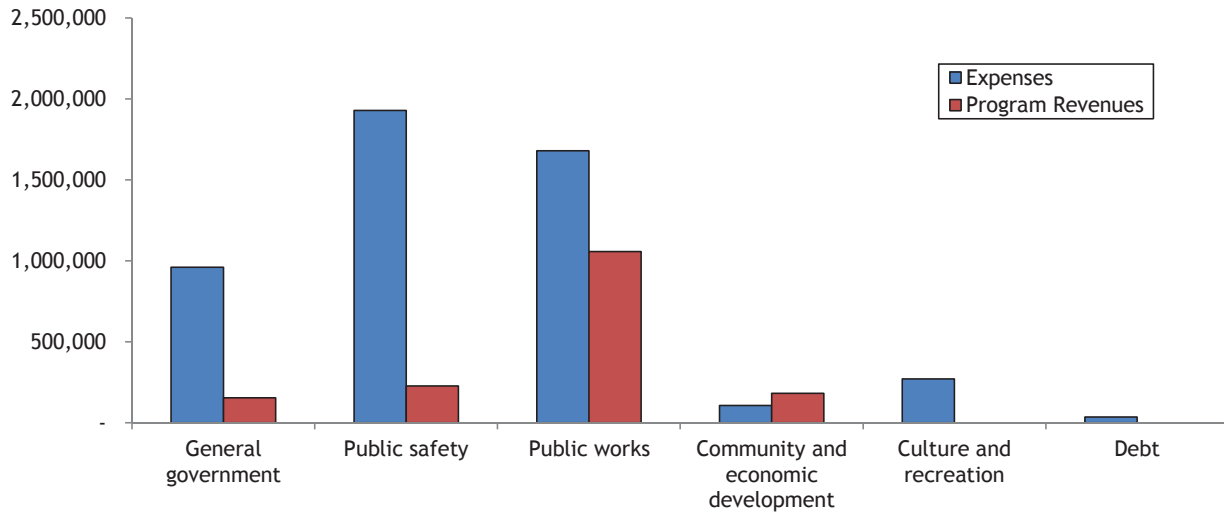
# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

Governmental Activities. Governmental activities decreased the City's net position by \$1,246,304. Key elements of this decrease are as follows:

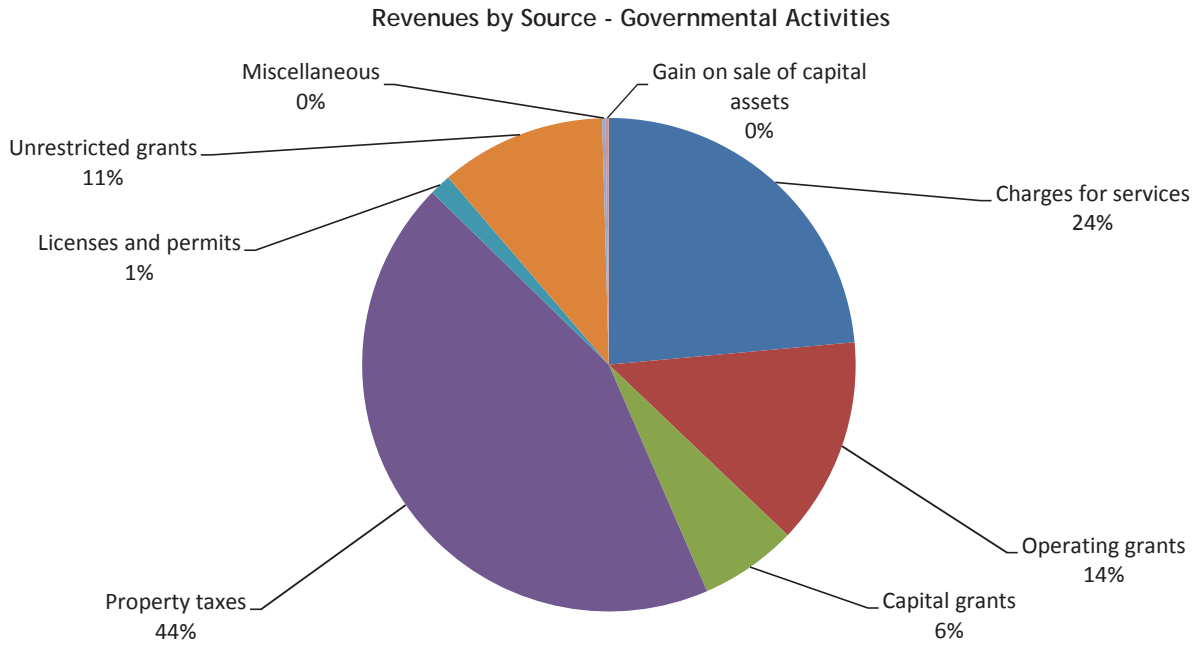
- Revenue from fire department with local townships decreased due to less use of City resources for local townships. The City received proceeds for sale of timber (approximately \$36,000) in the prior year which was absent in the current year. The City also experienced a reduction in sales of crushed concrete of approximately \$109,000 as a result of road projects which were being completed in the current year.
- Depreciation of the City's infrastructure (\$861,348) and buildings (\$203,951) with no capital investment projects this year has decreased governmental activities net position by \$1,065,299.

Expenses and Program Revenues - Governmental Activities



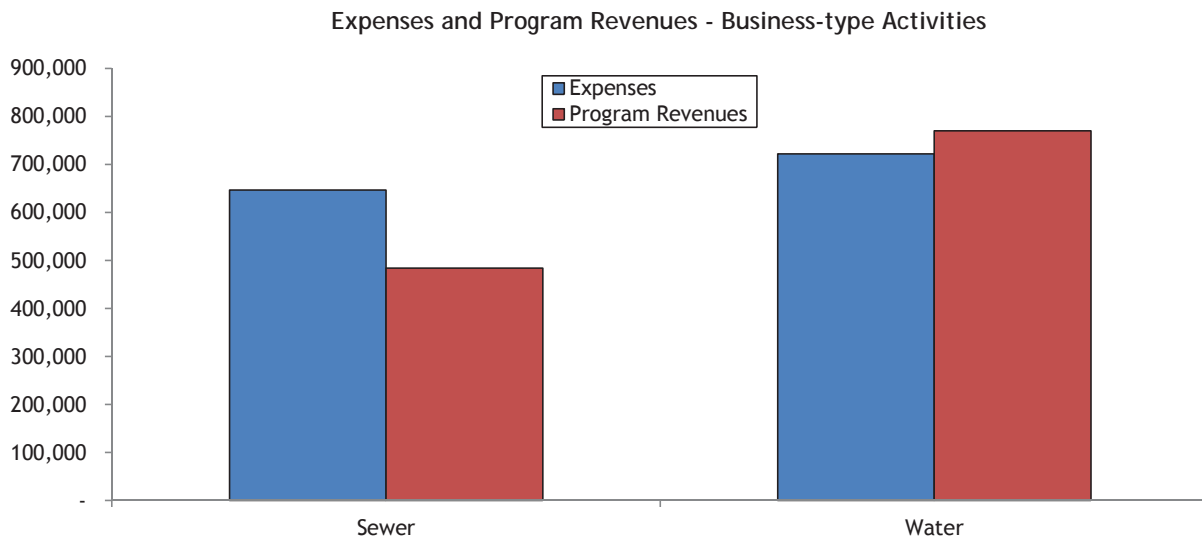
# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis



**Business-type Activities.** Business-type activities decreased the City's net position by \$114,177. Key elements of this decrease are as follows:

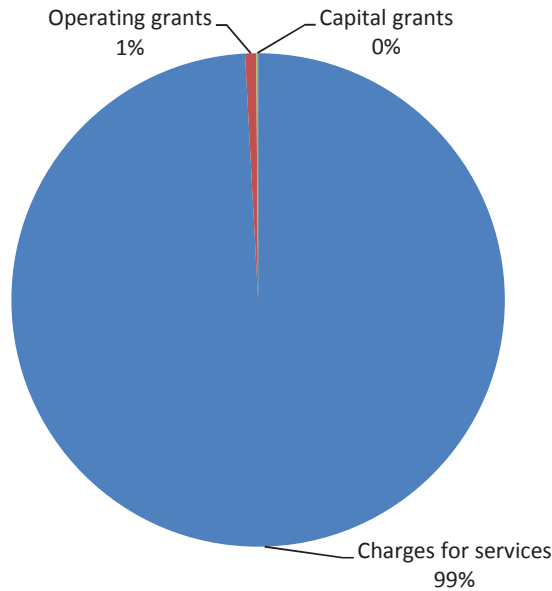
- Overall business-type revenues increased 5.94% however expenses increased 13.17%. The increase in expenditures related to the increase in retirement costs as a result of increased pension retirement expense.
- Expenses in the Sewer Funds increased by 16.34% and Water Funds increased 10.47% respectively, whereas water main and sanitary sewer line repairs and maintenance costs continue to increase including the increased pension retirement expense.



# 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 2016 fiscal year, the governmental funds reported a combined fund balance of \$1,595,210. Of this number, \$355,360 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 \$482,922, a decrease of \$78,888 (14.04%) from fiscal year 2014/15. 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, 2016 represents 15.57% of the general fund expenditures and transfers out, while unassigned fund balance amounts to 11.46%.



## CITY OF FREMONT, MICHIGAN

### Management's Discussion and Analysis

Overall and in comparison to the previous year, General Fund revenues increased by \$13,744 and expenditures decreased by \$24,166. Revenues increased for various reasons, including an increase in tourist park rentals. Expenditures decreased for various reasons, including reduced cost of equipment rentals for the police department.

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

The 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, 2016, net position of the Sewer Fund decreased by \$162,859 and net position of the Water Fund increased by \$48,231.

The Sewer Fund experienced a 6% increase in revenues; however, 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 \$1,113,542. The Water Fund experienced an increase in net position of \$48,231 as result of increased revenue from utility billings offsetting increased operational expenses.

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 Pavilion again, because the City was unsuccessful in their application for matching grant funds from the MDNR Trust Fund.
- There were several amendments to reflect the City's increased (\$11,000) financial participation with the Fremont Community Recreation Authority and to accommodate a short-term transfer of funds (\$60,000) to accommodate their delayed collection of new tax revenues.
- The City amended the General Fund budget to reflect a \$35,000 increase in required MERS contributions for the fiscal year.
- The City's M-82 Right-Turn Lane implementation at the Stewart Avenue intersection (\$115,000) was delayed till mid-summer (next fiscal year).
- The entire Downtown Rental Rehab Grant program rolled over into this fiscal year, so an amendment of \$529,000 was necessary to cover the project.

# CITY OF FREMONT, MICHIGAN

## Management's Discussion and Analysis

- The Water Department's Fremont Street watermain replacement project costs for contract and materials needed an additional \$95,000 to complete the project.
- The Water Department increased water sales \$70,000 to reflect actual sales for the fiscal year.

### Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 totaled \$24,923,911 (net of accumulated depreciation.) Investments in capital assets include land and land improvements, buildings and improvements, infrastructure (including utility systems), furniture and equipment.

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

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,017,154	\$ 3,016,154	\$ 240,698	\$ 240,698	\$ 3,257,852	\$ 3,256,852
Construction in progress	-	-	-	11,653	-	11,653
Land improvements	1,028,293	1,085,759	-	-	1,028,293	1,085,759
Buildings and improvements	1,556,460	1,760,411	-	-	1,556,460	1,760,411
Utility systems	-	-	10,525,055	10,474,341	10,525,055	10,474,341
Vehicles and equipment	836,687	886,406	23,009	28,579	859,696	914,985
Infrastructure	7,696,555	8,557,903	-	-	7,696,555	8,557,903
<b>Total capital assets, net</b>	<b>\$14,135,149</b>	<b>\$15,306,633</b>	<b>\$10,788,762</b>	<b>\$10,755,271</b>	<b>\$24,923,911</b>	<b>\$26,061,904</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, 2016, the City had outstanding long-term liabilities of \$1,167,776 consisting of a capital improvement bond and compensated absences. Long-term liabilities decreased by \$153,721 due to regularly scheduled principal payments and repayment of fire truck loan.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Capital improvement bonds	\$ 825,000	\$ 950,000	\$ -	\$ -	\$ 825,000	\$ 950,000
Fire truck loan	-	62,130	-	-	-	62,130
Unamortized discount	(5,255)	(6,717)	-	-	(5,255)	(6,717)
Compensated absences	318,662	291,206	29,369	24,878	348,031	316,084
Total long-term debt	<u>\$ 1,138,407</u>	<u>\$ 1,296,619</u>	<u>\$ 29,369</u>	<u>\$ 24,878</u>	<u>\$ 1,167,776</u>	<u>\$ 1,321,497</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 2015/16 was based on the continuation of the existing 14 mill property tax levy for the last seventeen 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 twenty years. If needed, an additional five (5) mills (less a small Headlee millage rollback) could generate an additional \$6-700,000 in tax revenues for general operating purposes.

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

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

The General Fund budget for fiscal year 2016/17 increased by approximately 4.4% (\$146,121), which includes plans to decrease the General Fund fund balance by \$127,562 to offset declining revenues and increased operational costs.

For the City's street system, the City has budgeted to expend accumulated resources of \$240,000 to match requested MDOT grant funds of \$300,000, and request a \$250,000 capital improvement loan. The Cedar Street Extension project will complete the City's planned alternate truck route.

# 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).

This page intentionally left blank.

## BASIC FINANCIAL STATEMENTS

# CITY OF FREMONT, MICHIGAN

## Statement of Net Position June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments	\$ 2,077,955	\$ 2,591,281	\$ 4,669,236	\$ 80,046
Receivables	383,478	367,530	751,008	217,478
Capital assets not being depreciated	3,017,154	240,698	3,257,852	-
Capital assets being depreciated, net	11,117,995	10,548,064	21,666,059	-
<b>Total assets</b>	<b>16,596,582</b>	<b>13,747,573</b>	<b>30,344,155</b>	<b>297,524</b>
<b>Deferred outflows of resources</b>				
Deferred pension amounts	988,055	285,211	1,273,266	-
<b>Liabilities</b>				
Negative equity in pooled cash	-	-	-	132,117
Accounts payable and accrued expenses	215,153	241,061	456,214	7,444
Unearned revenue	115,918	-	115,918	-
Long-term debt:				
Due within one year	216,739	29,369	246,108	-
Due in more than one year	921,668	-	921,668	-
Net pension liability	4,830,915	1,394,491	6,225,406	-
Net other postemployment benefits obligation	116,524	-	116,524	-
<b>Total liabilities</b>	<b>6,416,917</b>	<b>1,664,921</b>	<b>8,081,838</b>	<b>139,561</b>
<b>Net position</b>				
Net investment in capital assets	13,315,404	10,788,762	24,104,166	-
Restricted for:				
Streets and highways	525,858	-	525,858	-
Debt service	2,416	-	2,416	-
Perpetual care	316,471	-	316,471	-
Unrestricted (deficit)	(2,992,429)	1,579,101	(1,413,328)	157,963
<b>Total net position</b>	<b>\$ 11,167,720</b>	<b>\$ 12,367,863</b>	<b>\$ 23,535,583</b>	<b>\$ 157,963</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, 2016

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	\$ 960,089	\$ 144,320	\$ 8,601	\$ -	\$ (807,168)
Public safety	1,928,318	213,026	13,916	-	(1,701,376)
Public works	1,679,934	337,751	482,494	236,714	(622,975)
Community and economic development	106,444	180,789	-	-	74,345
Culture and recreation	269,902	-	-	-	(269,902)
Interest on long-term debt	34,570	-	-	-	(34,570)
<b>Total governmental activities</b>	<b>4,979,257</b>	<b>875,886</b>	<b>505,011</b>	<b>236,714</b>	<b>(3,361,646)</b>
Business-type activities:					
Sewer	646,422	480,217	3,797	-	(162,408)
Water	721,806	763,284	5,253	1,500	48,231
<b>Total business-type activities</b>	<b>1,368,228</b>	<b>1,243,501</b>	<b>9,050</b>	<b>1,500</b>	<b>(114,177)</b>
<b>Total primary government</b>	<b>\$ 6,347,485</b>	<b>\$ 2,119,387</b>	<b>\$ 514,061</b>	<b>\$ 238,214</b>	<b>\$ (3,475,823)</b>
<b>Component units</b>					
Downtown Development Authority	\$ 949,025	\$ 17,508	\$ 669,580	\$ -	\$ (261,937)
Local Development Finance Authority	23,886	-	-	-	(23,886)
Fremont Community Joint Planning Commission	11,825	-	-	-	(11,825)
<b>Total component units</b>	<b>\$ 984,736</b>	<b>\$ 17,508</b>	<b>\$ 669,580</b>	<b>\$ -</b>	<b>\$ (297,648)</b>

continued...



# CITY OF FREMONT, MICHIGAN

## Statement of Activities

For the Year Ended June 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (3,361,646)	\$ (114,177)	\$ (3,475,823)	\$ (297,648)
General revenues:				
Property taxes	1,629,775	-	1,629,775	320,151
Licenses and permits	52,354	-	52,354	-
Grants and contributions not restricted to specific programs	403,295	-	403,295	-
Gain on sale of capital assets	7,752	-	7,752	-
Unrestricted interest earnings	13,166	-	13,166	1,446
Miscellaneous	9,000	-	9,000	50
Total general revenues and transfers	2,115,342	-	2,115,342	321,647
Change in net position	(1,246,304)	(114,177)	(1,360,481)	23,999
Net position, beginning of year	12,414,024	12,482,040	24,896,064	133,964
Net position, end of year	\$ 11,167,720	\$ 12,367,863	\$ 23,535,583	\$ 157,963

concluded

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

This page intentionally left blank.

# CITY OF FREMONT, MICHIGAN

## Balance Sheet

Governmental Funds

June 30, 2016

	General Fund	Local Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 556,894	\$ 189,704	\$ 862,022	\$ 1,608,620
Receivables:				
Accounts	104,051	-	5,000	109,051
Special assessments	-	76,497	-	76,497
Due from other governments	62,299	60,000	75,631	197,930
<b>Total assets</b>	<b>\$ 723,244</b>	<b>\$ 326,201</b>	<b>\$ 942,653</b>	<b>\$ 1,992,098</b>
<b>Liabilities</b>				
Accounts payable	\$ 77,403	\$ -	\$ 2,003	\$ 79,406
Accrued liabilities	42,107	-	1,066	43,173
Due to other governments	81,894	-	-	81,894
Unearned revenue	38,918	-	77,000	115,918
<b>Total liabilities</b>	<b>240,322</b>	<b>-</b>	<b>80,069</b>	<b>320,391</b>
<b>Deferred inflows of resources</b>				
Unavailable revenue - special assessments receivable	-	76,497	-	76,497
<b>Fund balances</b>				
Nonspendable	-	-	316,471	316,471
Restricted	-	-	533,595	533,595
Committed	-	249,704	12,518	262,222
Assigned	127,562	-	-	127,562
Unassigned	355,360	-	-	355,360
<b>Total fund balances</b>	<b>482,922</b>	<b>249,704</b>	<b>862,584</b>	<b>1,595,210</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 723,244</b>	<b>\$ 326,201</b>	<b>\$ 942,653</b>	<b>\$ 1,992,098</b>

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

# CITY OF FREMONT, MICHIGAN

## Reconciliation

Fund Balances of Governmental Funds  
to Net Position of Governmental Activities  
June 30, 2016

Fund balances - total governmental funds	\$ 1,595,210
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	3,017,154
Capital assets being depreciated, net	11,117,995
Less: capital assets being accounted for in internal service funds	(1,086,514)
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.	
	76,497
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	1,550,490
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable and unamortized discount	(819,745)
Compensated absences payable	(318,662)
Accrued interest on bonds payable	(5,321)
Net other postemployment benefits obligation	(116,524)
Certain pension-related amounts, such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.	
Net pension liability	(4,830,915)
Deferred outflows related to the net pension liability	988,055
Net position of governmental activities	<u>\$ 11,167,720</u>

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

# CITY OF FREMONT, MICHIGAN

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

Governmental Funds

For the Year Ended June 30, 2016

	General Fund	Local Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 1,629,775	\$ -	\$ -	\$ 1,629,775
Special assessments	-	33,701	-	33,701
Licenses and permits	52,354	-	-	52,354
Intergovernmental:				
State	409,015	-	476,403	885,418
Local	5,000	-	173,972	178,972
Charges for services	476,646	-	8,113	484,759
Fines and forfeitures	16,000	-	-	16,000
Investment earnings	13,166	4,178	3,042	20,386
Other	419,828	-	21,314	441,142
<b>Total revenues</b>	<b>3,021,784</b>	<b>37,879</b>	<b>682,844</b>	<b>3,742,507</b>
<b>Expenditures</b>				
Current:				
General government	545,362	-	-	545,362
Public safety	1,128,357	-	-	1,128,357
Public works	685,687	-	236,494	922,181
Community and economic development	40,418	17,508	-	57,926
Culture and recreation	163,833	-	-	163,833
Other governmental functions	509,550	-	-	509,550
Debt service:				
Principal	-	-	125,000	125,000
Interest and fees	-	-	34,740	34,740
Capital outlay	28,594	-	106,328	134,922
<b>Total expenditures</b>	<b>3,101,801</b>	<b>17,508</b>	<b>502,562</b>	<b>3,621,871</b>
Revenues over (under) expenditures	(80,017)	20,371	180,282	120,636
Other financing sources (uses)				
Transfers in	1,129	-	156,110	157,239
Transfers out	-	-	(157,239)	(157,239)
<b>Total other financing sources (uses)</b>	<b>1,129</b>	<b>-</b>	<b>(1,129)</b>	<b>-</b>
Net change in fund balances	(78,888)	20,371	179,153	120,636
Fund balances, beginning of year	561,810	229,333	683,431	1,474,574
Fund balances, end of year	\$ 482,922	\$ 249,704	\$ 862,584	\$ 1,595,210

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

# CITY OF FREMONT, MICHIGAN

## Reconciliation

Net Changes in Fund Balances of Governmental Funds  
 To Change in Net Position of Governmental Activities  
 For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 120,636

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

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

Purchase/construction of capital assets	24,732
Depreciation expense	(1,357,707)
Less: depreciation expense being accounted for in internal service funds	200,846

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

Operating loss from internal service funds	(3,901)
Operating income from internal service funds allocated to business-type activities	(451)
Interest income from governmental activities in internal service funds	2,472
Gain on sale of capital assets from governmental activities in internal service funds	7,752

Governmental funds recognize special assessments as revenue as they become current;  
 however, they are recognized in full when levied in the statement of activities. (19,778)

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	125,000
--------------------------------------	---------

Some expenses reported in the statement of activities do not require the use of current  
 financial resources and therefore are not reported as expenditures in the funds.

Change in the net pension liability and related deferred amounts	(301,895)
Net other postemployment benefits obligation	(16,724)
Change in compensated absences	(27,456)
Amortization of bond discount	(1,462)
Change in accrued interest payable	1,632

Change in net position of governmental activities \$ (1,246,304)

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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Property taxes	\$ 1,675,955	\$ 1,675,955	\$ 1,629,775	\$ (46,180)
Licenses and permits	47,000	47,000	52,354	5,354
Intergovernmental:				
State	384,900	434,900	409,015	(25,885)
Local	5,000	5,000	5,000	-
Charges for services	465,200	465,200	476,646	11,446
Fines and forfeitures	17,500	17,500	16,000	(1,500)
Investment earnings	17,000	17,000	13,166	(3,834)
Other	332,570	335,070	419,828	84,758
<b>Total revenues</b>	<b>2,945,125</b>	<b>2,997,625</b>	<b>3,021,784</b>	<b>24,159</b>
<b>Expenditures</b>				
Current:				
General government:				
Legislative	11,730	11,730	11,649	(81)
Executive	83,840	83,840	83,257	(583)
Elections	6,757	6,756	5,897	(859)
General administration	5,000	5,000	-	(5,000)
Clerk	69,880	71,880	72,936	1,056
Treasurer	54,278	54,278	54,035	(243)
Board of review	960	960	900	(60)
Assessor	56,800	56,800	54,829	(1,971)
Cemetery	101,300	101,300	103,599	2,299
Attorney	19,000	24,000	26,882	2,882
Building and grounds	96,400	96,400	86,853	(9,547)
Public relations	38,190	41,690	44,525	2,835
<b>Total general government</b>	<b>544,135</b>	<b>554,634</b>	<b>545,362</b>	<b>(9,272)</b>
Public safety:				
Police department	893,510	869,010	859,791	(9,219)
Fire department	288,245	288,245	268,566	(19,679)
<b>Total public safety</b>	<b>1,181,755</b>	<b>1,157,255</b>	<b>1,128,357</b>	<b>(28,898)</b>
Public works:				
Streets, street lighting and sidewalks	399,770	399,770	412,683	12,913
Sanitation	270,915	274,915	273,004	(1,911)
<b>Total public works</b>	<b>670,685</b>	<b>674,685</b>	<b>685,687</b>	<b>11,002</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, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (continued):				
Community and economic development:				
Planning and zoning	\$ 43,790	\$ 27,791	\$ 22,370	\$ (5,421)
Other	17,880	17,880	18,048	168
Total community and economic development	61,670	45,671	40,418	(5,253)
Culture and recreation:				
Parks and recreation	137,325	164,825	163,833	(992)
Other governmental functions:				
Employee fringe benefits and other items	404,975	439,975	414,455	(25,520)
Airport operations	89,770	99,770	95,011	(4,759)
Tax tribunal refunds ordered	-	5,000	84	(4,916)
Total other governmental functions	494,745	544,745	509,550	(35,195)
Capital outlay	65,000	46,500	28,594	(17,906)
Total expenditures	3,155,315	3,188,315	3,101,801	(86,514)
Revenues over (under) expenditures	(210,190)	(190,690)	(80,017)	110,673
Other financing sources				
Transfers in	30,900	10,900	1,129	(9,771)
Net change in fund balance	(179,290)	(179,790)	(78,888)	100,902
Fund balance, beginning of year	561,810	561,810	561,810	-
Fund balance, end of year	\$ 382,520	\$ 382,020	\$ 482,922	\$ 100,902

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 - Local Improvement Special Revenue Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 30,000	\$ 30,000	\$ 33,701	\$ 3,701
Investment earnings	3,900	3,900	4,178	278
Total revenues	33,900	33,900	37,879	3,979
Expenditures				
Current:				
Community and economic development	17,508	17,508	17,508	-
Revenues over expenditures	16,392	16,392	20,371	3,979
Other financing uses				
Transfers out	-	(60,000)	-	60,000
Net change in fund balance	16,392	(43,608)	20,371	63,979
Fund balance, beginning of year	229,333	229,333	229,333	-
Fund balance, end of year	\$ 245,725	\$ 185,725	\$ 249,704	\$ 63,979

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

CITY OF FREMONT, MICHIGAN

Statement of Net Position  
 Proprietary Funds  
 June 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 1,113,542	\$ 1,477,739	\$ 2,591,281	\$ 469,335
Accounts receivable	152,439	215,091	367,530	-
Total current assets	<u>1,265,981</u>	<u>1,692,830</u>	<u>2,958,811</u>	<u>469,335</u>
Noncurrent assets:				
Capital assets, net				
Land	228,972	11,726	240,698	-
Buildings	-	-	-	632,455
Utility systems	10,724,659	8,331,722	19,056,381	-
Equipment	125,889	79,886	205,775	3,231,781
Accumulated depreciation	(6,029,533)	(2,684,559)	(8,714,092)	(2,777,722)
Total noncurrent assets	<u>5,049,987</u>	<u>5,738,775</u>	<u>10,788,762</u>	<u>1,086,514</u>
Total assets	<u>6,315,968</u>	<u>7,431,605</u>	<u>13,747,573</u>	<u>1,555,849</u>
Deferred outflows of resources				
Deferred pension amounts	<u>136,239</u>	<u>148,972</u>	<u>285,211</u>	<u>-</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	145,190	84,185	229,375	3,884
Accrued liabilities	5,675	6,011	11,686	1,475
Current portion of long-term debt	7,987	21,382	29,369	-
Total current liabilities	<u>158,852</u>	<u>111,578</u>	<u>270,430</u>	<u>5,359</u>
Noncurrent liabilities:				
Net pension liability	<u>666,118</u>	<u>728,373</u>	<u>1,394,491</u>	<u>-</u>
Total liabilities	<u>824,970</u>	<u>839,951</u>	<u>1,664,921</u>	<u>5,359</u>
<b>Net position</b>				
Investment in capital assets	5,049,987	5,738,775	10,788,762	1,086,514
Unrestricted	<u>577,250</u>	<u>1,001,851</u>	<u>1,579,101</u>	<u>463,976</u>
Total net position	<u>\$ 5,627,237</u>	<u>\$ 6,740,626</u>	<u>12,367,863</u>	<u>\$ 1,550,490</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, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Revenues				
Charges for services	\$ 480,217	\$ 763,284	\$ 1,243,501	\$ 369,917
Operating expenses				
Administration	145,425	155,864	301,289	50,353
Operations	316,307	407,912	724,219	122,619
Depreciation	185,141	158,030	343,171	200,846
Total operating expenses	646,873	721,806	1,368,679	373,818
Operating income (loss)	(166,656)	41,478	(125,178)	(3,901)
Nonoperating revenues				
Investment income	3,797	5,253	9,050	2,472
Connection fees	-	1,500	1,500	-
Gain on sale of capital assets	-	-	-	7,752
Total nonoperating revenues	3,797	6,753	10,550	10,224
Change in net position	(162,859)	48,231	(114,628)	6,323
Net position, beginning of year	5,790,096	6,692,395	12,482,491	1,544,167
Net position, end of year	\$ 5,627,237	\$ 6,740,626	\$ 12,367,863	\$ 1,550,490
Reconciliation of change in net position to the Statement of Activities				
Change in net position			\$ (114,628)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			451	
Change in net position of business-type activities			\$ (114,177)	

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, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
<b>Cash flows from operating activities</b>				
Receipts from customers	\$ 499,474	\$ 718,072	\$ 1,217,546	\$ -
Receipts from interfund services provided	-	-	-	369,917
Payments to and refunds received from suppliers	41,123	(112,898)	(71,775)	(78,972)
Payments to employees	(280,117)	(301,231)	(581,348)	(92,309)
Payments for interfund services used	(43,073)	(23,651)	(66,724)	-
<b>Net cash provided by operating activities</b>	<u>217,407</u>	<u>280,292</u>	<u>497,699</u>	<u>198,636</u>
<b>Cash flows from capital and related financing activities</b>				
Proceeds from sale of capital assets	-	-	-	7,752
Connection fees	-	1,500	1,500	-
Purchase of capital assets	(168,292)	(208,370)	(376,662)	(161,491)
Principal payments on long-term debt	-	-	-	(62,130)
<b>Net cash used in capital and related financing activities</b>	<u>(168,292)</u>	<u>(206,870)</u>	<u>(375,162)</u>	<u>(215,869)</u>
<b>Cash flows from investing activities</b>				
Interest received	<u>3,797</u>	<u>5,253</u>	<u>9,050</u>	<u>2,472</u>
<b>Net increase (decrease) in cash and investments</b>	52,912	78,675	131,587	(14,761)
Cash and investments, beginning of year	<u>1,060,630</u>	<u>1,399,064</u>	<u>2,459,694</u>	<u>484,096</u>
<b>Cash and investments, end of year</b>	<u>\$ 1,113,542</u>	<u>\$ 1,477,739</u>	<u>\$ 2,591,281</u>	<u>\$ 469,335</u>
<b>Cash flows from operating activities</b>				
Operating income (loss)	\$ (166,656)	\$ 41,478	\$ (125,178)	\$ (3,901)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	185,141	158,030	343,171	200,846
Changes in assets/liabilities:				
Accounts receivable	19,257	(45,212)	(25,955)	-
Accounts payable	137,156	77,203	214,359	1,465
Accrued liabilities	(625)	291	(334)	226
Compensated absences	1,507	2,984	4,491	-
Net pension liability and related deferred amounts	41,627	45,518	87,145	-
<b>Net cash provided by operating activities</b>	<u>\$ 217,407</u>	<u>\$ 280,292</u>	<u>\$ 497,699</u>	<u>\$ 198,636</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, 2016

	Agency Funds	Other Post- Employment Benefits Trust
<b>Assets</b>		
Cash and investments	\$ 14,578	\$ -
Funds on deposit with MERS	-	12,618
Receivables	18,400	-
Due from other governmental units	88,814	-
	<u>121,792</u>	<u>12,618</u>
<b>Total assets</b>	<b>\$ 121,792</b>	<b>12,618</b>
<b>Liabilities</b>		
Accounts payable	43,106	-
Due to other governmental units	78,686	-
	<u>121,792</u>	<u>-</u>
<b>Total liabilities</b>	<b>\$ 121,792</b>	<b>-</b>
<b>Net position</b>		
Restricted for OPEB		<u>\$ 12,618</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, 2016

	Other Post- Employment Benefits Trust
Additions	
Investment earnings	\$ 251
Change in net position	251
Net position, beginning of year	12,367
Net position, end of year	\$ 12,618

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, 2016

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
<b>Assets</b>				
Cash and investments	\$ 53,004	\$ -	\$ 27,042	\$ 80,046
Receivables	198,841	18,637	-	217,478
<b>Total assets</b>	<b>251,845</b>	<b>18,637</b>	<b>27,042</b>	<b>297,524</b>
<b>Liabilities</b>				
Negative equity in pooled cash	124,178	7,939	-	132,117
Accounts payable and accrued expenses	5,451	-	1,993	7,444
<b>Total Liabilities</b>	<b>129,629</b>	<b>7,939</b>	<b>1,993</b>	<b>139,561</b>
<b>Net position</b>				
Unrestricted	\$ 122,216	\$ 10,698	\$ 25,049	\$ 157,963

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, 2016

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
<b>Expenses</b>				
Downtown Development Authority	\$ 949,025	\$ -	\$ -	\$ 949,025
Local Development Finance Authority	-	23,886	-	23,886
Fremont Community Joint Planning Commission	-	-	11,825	11,825
<b>Total expenses</b>	<b>949,025</b>	<b>23,886</b>	<b>11,825</b>	<b>984,736</b>
<b>Program revenues</b>				
Charges for services	17,508	-	-	17,508
Operating grants and contributions	669,580	-	-	669,580
<b>Total program revenues</b>	<b>687,088</b>	<b>-</b>	<b>-</b>	<b>687,088</b>
<b>Net expense</b>	<b>(261,937)</b>	<b>(23,886)</b>	<b>(11,825)</b>	<b>(297,648)</b>
<b>General revenues</b>				
Property taxes	296,265	23,886	-	320,151
Unrestricted investment earnings	1,322	10	114	1,446
Miscellaneous	50	-	-	50
<b>Total general revenues</b>	<b>297,637</b>	<b>23,896</b>	<b>114</b>	<b>321,647</b>
<b>Change in net position</b>	<b>35,700</b>	<b>10</b>	<b>(11,711)</b>	<b>23,999</b>
<b>Net position, beginning of year</b>	<b>86,516</b>	<b>10,688</b>	<b>36,760</b>	<b>133,964</b>
<b>Net position, end of year</b>	<b>\$ 122,216</b>	<b>\$ 10,698</b>	<b>\$ 25,049</b>	<b>\$ 157,963</b>

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



This page intentionally left blank.

## 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, 2016, 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, 2016, the City made a \$60,000 operating loan 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 *Local Improvement fund* accounts for amounts collected and receivable in conjunction with various special assessments for several City construction projects.

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

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

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

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

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

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

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

### *Budgets and Budgetary Accounting*

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

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

5. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2016. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
6. The legal level of budgetary control is at the department level.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

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

#### *Cash and Investments*

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

#### *Receivables and Payables*

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

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

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

#### *Special Assessments*

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

#### *Due from Other Governments*

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

### *Deferred Outflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plan. More detailed information can be found in Note 13.

### *Compensated Absences*

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



# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### *Pensions*

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

### *Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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.

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.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### *Fund Equity*

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

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

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

### *Interfund Transactions*

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

### *Use of Estimates*

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

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

During the year ended June 30, 2016, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General fund:			
General government:			
Clerk	\$ 71,880	\$ 72,936	\$ 1,056
Cemetery	101,300	103,599	2,299
Attorney	24,000	26,882	2,882
Public relations	41,690	44,525	2,835
Public works:			
Streets, street lighting and sidewalks	399,770	412,683	12,913
Community and economic development:			
Other	17,880	18,048	168
Major Streets:			
Public works:			
Traffic services	11,375	11,787	412

### 3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2016:

	Primary Government	Component Units	Agency Funds	Fiduciary Funds	Total
Cash and investments	\$ 4,669,236	\$ 80,046	\$ 14,578	\$ -	\$ 4,763,860
Negative equity in pooled cash	-	(132,117)	-	-	(132,117)
Funds on deposit with MERS	-	-	-	12,618	12,618
	<u>\$ 4,669,236</u>	<u>\$ (52,071)</u>	<u>\$ 14,578</u>	<u>\$ 12,618</u>	<u>\$ 4,644,361</u>

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

Cash and investments are composed of the following at June 30, 2016:

Checking/savings accounts	\$ 2,692,676
Certificates of deposit:	
Due within one year	782,193
Due in one to five years	263,540
Investments	892,488
Funds on deposit with MERS	12,618
Petty cash	846
	<hr/>
Total cash and investments	<u>\$ 4,644,361</u>

### *Statutory Authority*

State statutes authorize the City to invest in:

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

The City chooses to disclose its investments by specifically identifying each. As of June 30, 2016, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 792,489	AAAm (S&P)
Federal Home Loan Bank	11/23/2027	99,999	AA+ (S&P)
<b>Total investments</b>		<u>\$ 892,488</u>	

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

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

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

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

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. The City minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City's investment policy. As of year-end, \$2,860,447 of the City's bank balance of \$3,871,548 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

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

### *Fair Value Measurement*

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2016:

- Michigan Cooperative Liquid Assets Securities System, with a balance of \$792,489 at June 30, 2016, which invests primarily in Level 2 investments.
- U.S. Treasury securities (Federal Home Loan Bank), with a balance of \$99,999 at June 30, 2016, which are valued using quoted market prices (Level 1 inputs).

## 4. RECEIVABLES

At June 30, 2016, the City’s receivables consisted of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 109,051	\$ 367,530	\$ 94,214
Due from other governments	197,930	-	72,396
Special assessments	76,497	-	-
Notes	-	-	50,868
<b>Total</b>	<b>\$ 383,478</b>	<b>\$ 367,530</b>	<b>\$ 217,478</b>

Of the amounts reported above, \$48,056 of special assessments receivable reported in the Local Improvement fund and \$36,824 of notes receivable reported in the Downtown Development Authority fund are not expected to be collected within one year.

## 5. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At June 30, 2016, the City’s accounts payable and accrued expenses were as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 83,290	\$ 229,375	\$ 4,045
Salaries payable	44,648	11,686	3,399
Accrued interest payable	5,321	-	-
Due to other governments	81,894	-	-
<b>Total</b>	<b>\$ 215,153</b>	<b>\$ 241,061</b>	<b>\$ 7,444</b>

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 3,016,154	\$ 1,000	\$ -	\$ -	\$ 3,017,154
Capital assets, being depreciated:					
Land improvements	1,715,411	23,732	-	-	1,739,143
Buildings and improvements	4,753,498	-	-	-	4,753,498
Vehicles and equipment	4,019,165	161,491	(17,184)	-	4,163,472
Infrastructure	18,832,397	-	-	-	18,832,397
	<u>29,320,471</u>	<u>185,223</u>	<u>(17,184)</u>	<u>-</u>	<u>29,488,510</u>
Less accumulated depreciation for:					
Land improvements	(629,652)	(81,198)	-	-	(710,850)
Buildings and improvements	(2,993,087)	(203,951)	-	-	(3,197,038)
Vehicles and equipment	(3,132,759)	(211,210)	17,184	-	(3,326,785)
Infrastructure	(10,274,494)	(861,348)	-	-	(11,135,842)
	<u>(17,029,992)</u>	<u>(1,357,707)</u>	<u>17,184</u>	<u>-</u>	<u>(18,370,515)</u>
Total capital assets being depreciated, net	<u>12,290,479</u>	<u>(1,172,484)</u>	<u>-</u>	<u>-</u>	<u>11,117,995</u>
Governmental activities capital assets, net	<u>\$ 15,306,633</u>	<u>\$ (1,171,484)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,135,149</u>

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

<b>Governmental activities</b>	
General government	\$ 251,055
Public safety	452,645
Public works	366,488
Community and economic development	30,460
Culture and recreation	56,213
Depreciation charged to Internal Service Funds	<u>200,846</u>
	<u>\$ 1,357,707</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	11,653	-	-	(11,653)	-
	<u>252,351</u>	<u>-</u>	<u>-</u>	<u>(11,653)</u>	<u>240,698</u>
Capital assets, being depreciated:					
Utility systems	18,689,566	376,662	-	11,653	19,077,881
Equipment	184,275	-	-	-	184,275
	<u>18,873,841</u>	<u>376,662</u>	<u>-</u>	<u>11,653</u>	<u>19,262,156</u>
Less accumulated depreciation for:					
Utility systems	(8,215,225)	(337,601)	-	-	(8,552,826)
Equipment	(155,696)	(5,570)	-	-	(161,266)
	<u>(8,370,921)</u>	<u>(343,171)</u>	<u>-</u>	<u>-</u>	<u>(8,714,092)</u>
Total capital assets being depreciated, net	<u>10,502,920</u>	<u>33,491</u>	<u>-</u>	<u>11,653</u>	<u>10,548,064</u>
Business-type activities capital assets, net	<u>\$ 10,755,271</u>	<u>\$ 33,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,788,762</u>

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

<b>Business-type activities</b>	
Sewer	\$ 185,141
Water	<u>158,030</u>
	<u>\$ 343,171</u>



# 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, 2016:

	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	\$ 950,000	\$ -	\$ (125,000)	\$ 825,000	\$ 125,000
Fire Truck installment purchase due in annual installments of \$63,000 including interest at 2.14% through August 2015	62,130	-	(62,130)	-	-
Subtotal - installment debt	1,012,130	-	(187,130)	825,000	125,000
Unamortized discount	(6,717)	-	1,462	(5,255)	(1,261)
Compensated absences	291,206	120,892	(93,436)	318,662	93,000
<b>Total governmental activities</b>	<b>\$ 1,296,619</b>	<b>\$ 120,892</b>	<b>\$ (279,104)</b>	<b>\$ 1,138,407</b>	<b>\$ 216,739</b>
<b>Business-type Activities</b>					
Compensated absences	\$ 24,878	\$ 20,213	\$ (15,722)	\$ 29,369	\$ 29,369

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

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2017	\$ 125,000	\$ 29,509
2018	125,000	24,671
2019	125,000	19,834
2020	150,000	14,513
2021	150,000	8,708
2022	150,000	2,903
	<b>\$ 825,000</b>	<b>\$ 100,138</b>

The City was in compliance in all material respects with all bond indentures at June 30, 2016.

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 8. INTERFUND BALANCES AND TRANSFERS

The composition of interfund transfers as of June 30, 2016 is as follows:

Transfers out	Transfers In		
	General Fund	Nonmajor Governmental Funds	Total
Nonmajor governmental funds	\$ 1,129	\$ 156,110	\$ 157,239

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

### 9. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Local Improvement Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Permanent corpus	\$ -	\$ -	\$ 316,471	\$ 316,471
Restricted:				
Highways and streets	-	-	533,595	533,595
Committed:				
Capital projects	-	249,704	12,518	262,222
Assigned:				
Subsequent year's budget	127,562	-	-	127,562
Unassigned	355,360	-	-	355,360
Total fund balances, governmental funds	\$ 482,922	\$ 249,704	\$ 862,584	\$ 1,595,210

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 10. CONTINGENT LIABILITIES

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

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

### 11. LEASES

The City received \$9,329 from noncancelable operating leases for land use and hanger rental during the year ended June 30, 2016, 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
2017	\$ 4,849
2018	4,446
2019	4,446
2020	4,446
2021	4,446
2022-2026	7,830
2027-2031	4,230
2032-2034	1,692
	<hr/>
	\$ 36,385
	<hr/> <hr/>

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### 12. RISK MANAGEMENT

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

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

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

### 13. PENSION PLANS

#### *General Information About the Plan*

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

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

*Employees Covered by Benefit Terms.* At December 31, 2015, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>25</u>
 Total membership	 <u><u>58</u></u>

*Contributions.* The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions range from \$27,030 and 11.46% to 22.13% of annual payroll, depending on division/bargaining unit. In addition, the employer may establish contribution rates to be paid by its covered employees. Currently, employees are not required to contribute to the plan.

*Net Pension Liability.* The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

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

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	57.5%	5.02%	2.89%
Global fixed income	20.0%	2.18%	0.44%
Real assets	12.5%	4.23%	0.51%
Diversifying strategies	<u>10.0%</u>	6.56%	0.66%
	<u><u>100.0%</u></u>		
Inflation			3.25%
Administrative expenses netted above			<u>0.50%</u>
Investment rate of return			<u><u>8.25%</u></u>

*Discount Rate.* The discount rate used to measure the total pension liability is 8.25% for 2015. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### *Changes in Net Pension Liability*

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2014	\$ 10,983,649	\$ 6,138,770	\$ 4,844,879
Changes for the year:			
Service cost	150,483	-	150,483
Interest	885,802	-	885,802
Differences between expected and actual experience	43,707	-	43,707
Changes in assumptions	611,497	-	611,497
Employer contributions	-	413,578	(413,578)
Employee contributions	-	-	-
Net investment loss	-	(89,378)	89,378
Benefit payments, including refunds of employee contributions	(643,796)	(643,796)	-
Administrative expense	-	(13,238)	13,238
Other changes	-	-	-
Net changes	<u>1,047,693</u>	<u>(332,834)</u>	<u>1,380,527</u>
Balances at December 31, 2015	<u>\$ 12,031,342</u>	<u>\$ 5,805,936</u>	<u>\$ 6,225,406</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the City, calculated using the discount rate of 8.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.25%) or 1% higher (9.25%) than the current rate:

1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
\$ 7,652,899	\$ 6,225,406	\$ 5,020,254

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

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### *Pension Expense and Deferred Outflows of Resources Related to Pensions*

For the year ended June 30, 2016, the City recognized pension expense of \$823,483. The City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 34,966
Changes in assumptions	489,198
Net difference between projected and actual earnings on pension plan investments	<u>535,133</u>
	1,059,297
Contributions subsequent to the measurement date	<u>213,969</u>
 Total	 <u>\$ 1,273,266</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2017. Other amounts reported as deferred outflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 270,366
2018	270,366
2019	270,365
2020	<u>248,200</u>
 Total	 <u>\$ 1,059,297</u>

*Payable to the Pension Plan.* At June 30, 2016, the City reported a payable of \$34,799 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

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, 2016, the date of the last plan valuation, the Plan covered 28 members (24 active plan members).



# 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, 2016, the City contributed \$1,197 to the Plan.

### *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	\$ 18,783
Interest on net OPEB obligation	2,994
Adjustment to annual required contribution	<u>(3,856)</u>
Net OPEB cost	17,921
Contributions made	<u>1,197</u>
Increase in net OPEB obligation	16,724
Net OPEB obligation, beginning of year	<u>99,800</u>
Net OPEB obligation, end of year	<u><u>\$ 116,524</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 2016 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
2014	\$ 37,495	25%	\$ 78,758
2015	23,048	5%	99,800
2016	17,921	7%	116,524

# CITY OF FREMONT, MICHIGAN

## Notes to Financial Statements

### *Funded Status and Funding Progress*

As of June 30, 2016, the most recent actuarial valuation date, the plan was 6% funded. The actuarial accrued liability for benefits was \$214,052, and the actuarial value of assets was \$12,618, resulting in an unfunded actuarial accrued liability (UAAL) of \$201,434. The covered payroll (annual payroll of the active employees covered by the Plan) was \$1,253,993 and the ratio of the UAAL to the covered payroll was 16 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 62.

*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 5.0 percent was used for 2017 and each year following.

*Health insurance premiums*—2016 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, 2016, 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, 2016, the corporation's billings for utilities approximated 36% 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, 2016, was as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,017,154	\$ 240,698
Capital assets being depreciated, net	11,117,995	10,548,064
	<u>14,135,149</u>	<u>10,788,762</u>
Related debt:		
Bonds payable	825,000	-
Unamortized bond discount	(5,255)	-
	<u>819,745</u>	<u>-</u>
Net investment in capital assets	<u>\$ 13,315,404</u>	<u>\$ 10,788,762</u>



## REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF FREMONT, MICHIGAN

## Required Supplementary Information

### MERS Agent Multiple-Employer Defined Benefit Pension Plan

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

	Year Ended June 30, 2016	Year Ended June 30, 2015
Total pension liability		
Service cost	\$ 150,483	\$ 150,506
Interest	885,802	855,187
Differences between expected and actual experience	43,707	-
Changes of assumptions	611,497	-
Benefit payments, including refunds of employee contributions	(643,796)	(625,376)
Net change in total pension liability	<u>1,047,693</u>	<u>380,317</u>
Total pension liability, beginning of year	<u>10,983,649</u>	<u>10,603,332</u>
Total pension liability, end of year	<u>12,031,342</u>	<u>10,983,649</u>
Plan fiduciary net position		
Employer contributions	413,578	366,822
Net investment income (loss)	(89,378)	375,832
Benefit payments, including refunds of employee contributions	(643,796)	(625,376)
Administrative expense	(13,238)	(13,755)
Net change in plan fiduciary net position	<u>(332,834)</u>	<u>103,523</u>
Plan fiduciary net position, beginning of year	<u>6,138,770</u>	<u>6,035,247</u>
Plan fiduciary net position, end of year	<u>5,805,936</u>	<u>6,138,770</u>
City's net pension liability	<u>\$ 6,225,406</u>	<u>\$ 4,844,879</u>
Plan fiduciary net position as a percentage of total pension liability	48.3%	55.9%
Covered-employee payroll	1,442,251	1,583,012
City's net pension liability as a percentage of covered-employee payroll	431.6%	306.1%

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

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

CITY OF FREMONT, MICHIGAN

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

Schedule of the Net Pension Liability

Year Ended June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as Percentage of Total Pension Liability	Covered- Employee Payroll	Net Pension Liability as Percentage of Covered Payroll
2016	\$ 12,031,342	\$ 5,805,936	\$ 6,225,406	48.3%	\$ 1,442,251	431.6%
2015	10,983,649	6,138,770	4,844,879	55.9%	1,583,012	306.1%

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

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

CITY OF FREMONT, MICHIGAN

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

Schedule of Contributions

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

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

Notes to Schedule of Contributions

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	23 years
Asset valuation method	Open; 10-year smooth market
Inflation	2.50%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment and administrative expense including inflation
Retirement age	Age-based table of rates that are specific to the type of eligibility condition. The Normal Retirement rates were first used for the December 31, 2015 actuarial valuations. The Early Retirement rates were first used for the December 31, 2015 actuarial valuations.
Mortality	Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

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)
6/30/2014	\$ 12,243	\$ 411,579	\$ 399,336	3%	\$ 1,273,852	31%
6/30/2015	12,367	267,365	254,998	5%	1,190,359	21%
6/30/2016	12,618	214,052	201,434	6%	1,253,993	16%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2014	\$ 37,758	25%
2015	23,587	9%
2016	18,783	6%



This page intentionally left blank.

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

This page intentionally left blank.

## NONMAJOR GOVERNMENTAL FUNDS

# CITY OF FREMONT, MICHIGAN

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2016

	Special Revenue		Debt Service	Capital Projects
	Major Streets	Local Streets	Construction Bond	Capital Projects
<b>Assets</b>				
Cash and investments	\$ 337,249	\$ 116,047	\$ 7,737	\$ 84,518
Accounts receivable	-	-	-	5,000
Due from other governments	47,734	27,897	-	-
<b>Total assets</b>	<b>\$ 384,983</b>	<b>\$ 143,944</b>	<b>\$ 7,737</b>	<b>\$ 89,518</b>
<b>Liabilities</b>				
Account payable	\$ 2,003	\$ -	\$ -	\$ -
Accrued liabilities	533	533	-	-
Unearned revenue	-	-	-	77,000
<b>Total liabilities</b>	<b>2,536</b>	<b>533</b>	<b>-</b>	<b>77,000</b>
<b>Fund balances</b>				
Nonspendable	-	-	-	-
Restricted	382,447	143,411	7,737	-
Committed	-	-	-	12,518
<b>Total fund balances</b>	<b>382,447</b>	<b>143,411</b>	<b>7,737</b>	<b>12,518</b>
<b>Total liabilities and fund balances</b>	<b>\$ 384,983</b>	<b>\$ 143,944</b>	<b>\$ 7,737</b>	<b>\$ 89,518</b>



Permanent Cemetery Perpetual Care	Totals
--	--------

\$ 316,471	\$ 862,022
-	5,000
-	75,631

<u>\$ 316,471</u>	<u>\$ 942,653</u>
-------------------	-------------------

\$ -	\$ 2,003
-	1,066
-	77,000

-	80,069
---	--------

316,471	316,471
-	533,595
-	12,518

<u>316,471</u>	<u>862,584</u>
----------------	----------------

<u>\$ 316,471</u>	<u>\$ 942,653</u>
-------------------	-------------------

# CITY OF FREMONT, MICHIGAN

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	Special Revenue		Debt Service	Capital Projects
	Major Streets	Local Streets	Construction Bond	Capital Projects
<b>Revenues</b>				
Intergovernmental:				
State	\$ 299,774	\$ 176,629	\$ -	\$ -
Local	-	-	160,047	13,925
Charges for services	-	-	-	-
Investment earnings	1,052	184	412	266
Other	21,314	-	-	-
<b>Total revenues</b>	<b>322,140</b>	<b>176,813</b>	<b>160,459</b>	<b>14,191</b>
<b>Expenditures</b>				
Current:				
Public works	167,542	68,952	-	-
Debt service:				
Principal	-	-	125,000	-
Interest and fees	-	-	34,740	-
Capital outlay	-	-	-	106,328
<b>Total expenditures</b>	<b>167,542</b>	<b>68,952</b>	<b>159,740</b>	<b>106,328</b>
Revenues over (under) expenditures	154,598	107,861	719	(92,137)
<b>Other financing sources (uses)</b>				
Transfers in	-	65,000	-	91,110
Transfers out	(84,658)	(71,452)	-	-
<b>Total other financing sources (uses)</b>	<b>(84,658)</b>	<b>(6,452)</b>	<b>-</b>	<b>91,110</b>
Net change in fund balances	69,940	101,409	719	(1,027)
Fund balances, beginning of year	312,507	42,002	7,018	13,545
Fund balances, end of year	\$ 382,447	\$ 143,411	\$ 7,737	\$ 12,518



Permanent	
Cemetery Perpetual Care	Totals

\$ -	\$ 476,403
-	173,972
8,113	8,113
1,128	3,042
-	21,314
<u>9,241</u>	<u>682,844</u>
-	236,494
-	125,000
-	34,740
-	106,328
<u>-</u>	<u>502,562</u>
<u>9,241</u>	<u>180,282</u>
-	156,110
<u>(1,129)</u>	<u>(157,239)</u>
<u>(1,129)</u>	<u>(1,129)</u>
8,112	179,153
<u>308,359</u>	<u>683,431</u>
<u>\$ 316,471</u>	<u>\$ 862,584</u>



# CITY OF FREMONT, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Streets Special Revenue Fund

For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental:				
State	\$ 320,000	\$ 320,000	\$ 299,774	\$ (20,226)
Investment earnings	300	300	1,052	752
Other	90,000	90,000	21,314	(68,686)
<b>Total revenues</b>	<u>410,300</u>	<u>410,300</u>	<u>322,140</u>	<u>(88,160)</u>
<b>Expenditures</b>				
Current:				
Public works:				
Construction	70,000	70,000	56,580	(13,420)
Routine maintenance	52,335	52,335	42,783	(9,552)
Traffic services	11,375	11,375	11,787	412
Snow & ice control	29,610	29,610	18,452	(11,158)
Trunkline maintenance	60,000	60,000	37,940	(22,060)
<b>Total expenditures</b>	<u>223,320</u>	<u>223,320</u>	<u>167,542</u>	<u>(55,778)</u>
Revenues over expenditures	186,980	186,980	154,598	(32,382)
<b>Other financing uses</b>				
Transfers out	(235,000)	(120,000)	(84,658)	35,342
<b>Net change in fund balance</b>	(48,020)	66,980	69,940	2,960
<b>Fund balance, beginning of year</b>	<u>312,507</u>	<u>312,507</u>	<u>312,507</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 264,487</u>	<u>\$ 379,487</u>	<u>\$ 382,447</u>	<u>\$ 2,960</u>

# CITY OF FREMONT, MICHIGAN

## Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual - Local Streets Special Revenue Fund For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
<b>Revenues</b>				
Intergovernmental:				
State	\$ 116,760	\$ 116,760	\$ 176,629	\$ 59,869
Investment earnings	130	130	184	54
<b>Total revenues</b>	<b>116,890</b>	<b>116,890</b>	<b>176,813</b>	<b>59,923</b>
<b>Expenditures</b>				
Current:				
Public works:				
Routine maintenance	55,915	55,915	53,548	(2,367)
Traffic services	2,320	2,320	952	(1,368)
Snow & ice control	26,150	26,150	14,452	(11,698)
<b>Total expenditures</b>	<b>84,385</b>	<b>84,385</b>	<b>68,952</b>	<b>(15,433)</b>
<b>Revenues over expenditures</b>	<b>32,505</b>	<b>32,505</b>	<b>107,861</b>	<b>75,356</b>
<b>Other financing sources (uses)</b>				
Transfers in	65,000	65,000	65,000	-
Transfers out	(90,000)	(90,000)	(71,452)	18,548
<b>Total other financing sources (uses)</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>(6,452)</b>	<b>18,548</b>
<b>Net change in fund balance</b>	<b>7,505</b>	<b>7,505</b>	<b>101,409</b>	<b>93,904</b>
<b>Fund balance, beginning of year</b>	<b>42,002</b>	<b>42,002</b>	<b>42,002</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 49,507</b>	<b>\$ 49,507</b>	<b>\$ 143,411</b>	<b>\$ 93,904</b>

# CITY OF FREMONT, MICHIGAN

## Combining Statement of Fiduciary Assets and Liabilities

Agency Funds  
June 30, 2016

	Trust & Agency Fund	Fremont Community Recreation Authority	Totals
<b>Assets</b>			
Cash and investments	\$ 3,033	\$ 11,545	\$ 14,578
Receivables	17,347	1,053	18,400
Due from other governmental units	300	88,514	88,814
<b>Total assets</b>	<b>\$ 20,680</b>	<b>\$ 101,112</b>	<b>\$ 121,792</b>
<b>Liabilities</b>			
Accounts payable	1,994	41,112	43,106
Due to other governmental units	18,686	60,000	78,686
<b>Total liabilities</b>	<b>\$ 20,680</b>	<b>\$ 101,112</b>	<b>\$ 121,792</b>