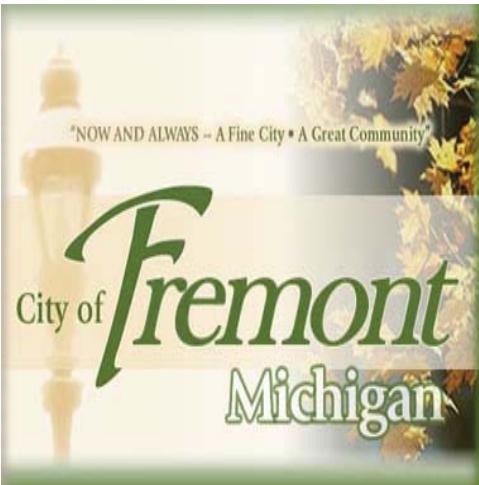


**City of Fremont,
Michigan**



**Year Ended
June 30, 2020**

**Financial
Statements**

CITY OF FREMONT, MICHIGAN

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CITY OF FREMONT, MICHIGAN

Elected and Appointed Officials

For the Year Ended June 30, 2020

Elected Officials

Mayor	James Rynberg
Mayor Pro Tem	Michael Carpenter
Council Members	Bob Johnson Sandy Siegel Steven Heiss

Appointed Officials

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

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INDEPENDENT AUDITORS' REPORT

September 23, 2020

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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Information

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

A handwritten signature in black ink that reads "Rehmann Lohman LLC". The signature is fluid and cursive, with "Rehmann" on the top line, "Lohman" on the middle line, and "LLC" on the bottom line.

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, 2020. The City's basic financial statements are comprised of three components:

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

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

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

Financial Highlights

• Total net position	\$23,960,493
• Change in total net position	(201,053)
• Fund balance, governmental funds	1,746,394
• Change in fund balance, governmental funds	(550,854)
• Unassigned fund balance, general fund	485,861
• Change in fund balance, general fund	(90,774)

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, as well as staying current on the repayment of outstanding obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. The City reports all changes in net position when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

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

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

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

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

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

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

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

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

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, 2020, the City's net position from governmental activities totaled \$13,794,220 and \$10,166,273 from business-type activities, for a government-wide net position total of \$23,960,493.

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 \$2,280,150.

Governmental activities current and other assets decreased by \$683,187. This decrease is partially attributable to the repayment of outstanding debt, as well as the purchase of capital assets. Capital asset additions related to construction projects and equipment purchases were \$2,182,373, net of depreciation expense of \$1,235,943, contributing to the increase in capital assets of \$946,430.

Governmental activities current and other liabilities decreased by \$145,963, while deferred outflows decreased by \$391,013. These decreases are primarily attributable to changes in the net pension liability and related deferred amounts. Long-term debt decreased by \$147,539, due to the repayment of the general obligation bond and change in compensated absences.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

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

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,579,083	\$ 3,262,270	\$ 2,287,287	\$ 2,505,023	\$ 4,866,370	\$ 5,767,293
Capital assets, net	15,535,948	14,589,518	9,707,079	9,927,963	25,243,027	24,517,481
Total assets	18,115,031	17,851,788	11,994,366	12,432,986	30,109,397	30,284,774
Deferred outflows of resources	576,283	967,296	302,129	567,736	878,412	1,535,032
Current and other liabilities	4,163,482	4,309,445	2,045,525	2,397,534	6,209,007	6,706,979
Long-term debt	662,013	809,552	57,136	50,210	719,149	859,762
Total liabilities	4,825,495	5,118,997	2,102,661	2,447,744	6,928,156	7,566,741
Deferred inflows of resources	71,599	65,534	27,561	25,985	99,160	91,519
Net position:						
Net investment in capital assets	15,237,075	14,141,396	9,707,079	9,927,963	24,944,154	24,069,359
Restricted	837,295	1,290,620	-	-	837,295	1,290,620
Unrestricted (deficit)	(2,280,150)	(1,797,463)	459,194	599,030	(1,820,956)	(1,198,433)
Total net position	\$13,794,220	\$13,634,553	\$10,166,273	\$10,526,993	\$23,960,493	\$24,161,546

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.

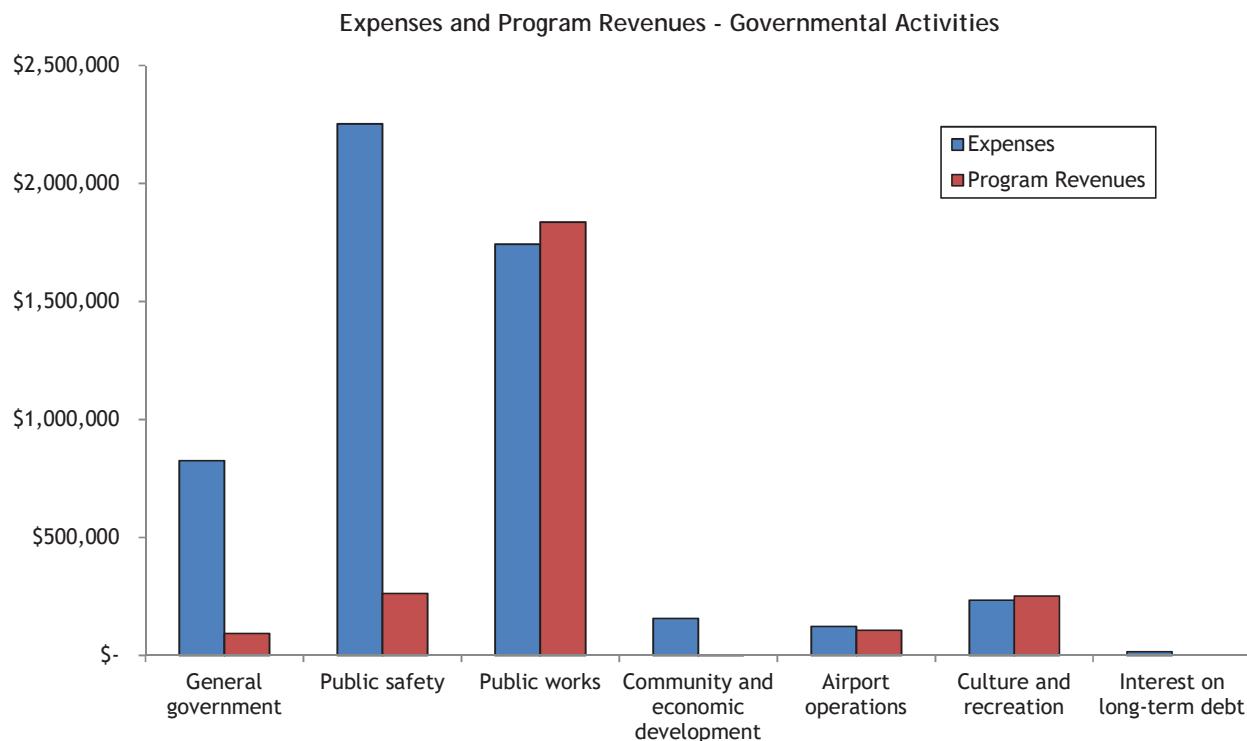
	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 924,098	\$ 908,940	\$ 1,207,890	\$ 1,305,824	\$ 2,131,988	\$ 2,214,764
Operating grants and contributions	750,815	742,750	21,101	21,072	771,916	763,822
Capital grants and contributions	875,811	2,070,195	1,500	4,500	877,311	2,074,695
General revenues:						
Property taxes	2,085,897	1,790,604	-	-	2,085,897	1,790,604
Licenses and permits	74,355	122,836	-	-	74,355	122,836
Unrestricted grants	767,609	819,953	-	-	767,609	819,953
Unrestricted investment earnings	22,872	35,702	-	-	22,872	35,702
Miscellaneous	6,866	5,617	-	-	6,866	5,617
Total revenues	5,508,323	6,496,597	1,230,491	1,331,396	6,738,814	7,827,993
Expenses						
General government	824,731	810,932	-	-	824,731	810,932
Public safety	2,252,155	1,946,795	-	-	2,252,155	1,946,795
Public works	1,743,029	1,408,311	-	-	1,743,029	1,408,311
Community and economic development	157,303	268,546	-	-	157,303	268,546
Culture and recreation	234,023	221,292	-	-	234,023	221,292
Airport operations	122,298	139,920	-	-	122,298	139,920
Interest on long-term debt	15,117	36,668	-	-	15,117	36,668
Sewer	-	-	756,881	804,437	756,881	804,437
Water	-	-	834,330	943,225	834,330	943,225
Total expenses	5,348,656	4,832,464	1,591,211	1,747,662	6,939,867	6,580,126
Change in net position	159,667	1,664,133	(360,720)	(416,266)	(201,053)	1,247,867
Net position, beginning of year	13,634,553	11,970,420	10,526,993	10,943,259	24,161,546	22,913,679
Net position, end of year	\$13,794,220	\$13,634,553	\$10,166,273	\$10,526,993	\$23,960,493	\$24,161,546

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities increased the City's net position by \$159,667. Key elements of this increase are as follows:

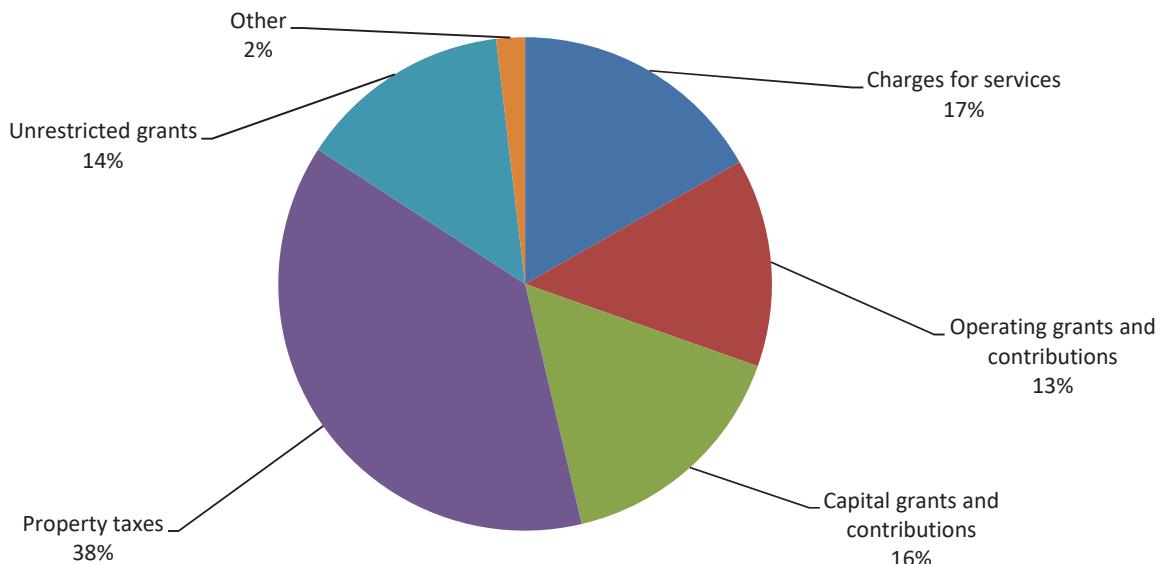
- The City's \$988,274 decrease in governmental activities revenue is mainly due to a \$1,194,384 decrease in capital grant and contribution revenue, offset in part by an increase in property tax revenue. In the prior year, the City received a capital grant as part of its federal participation in an MDOT administered project for the Fremont Municipal Airport's north/south runway resurfacing. There was no similar capital grant in the current year.
- The City also experienced an increase in expenses of \$516,192, primarily due to an increase in public safety (\$305,360) and public works (\$334,718) expenses. Specifically, the increase resulted from the purchase of fire department supplies and equipment not capitalized and depreciation for capital assets charged to these functions.



CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

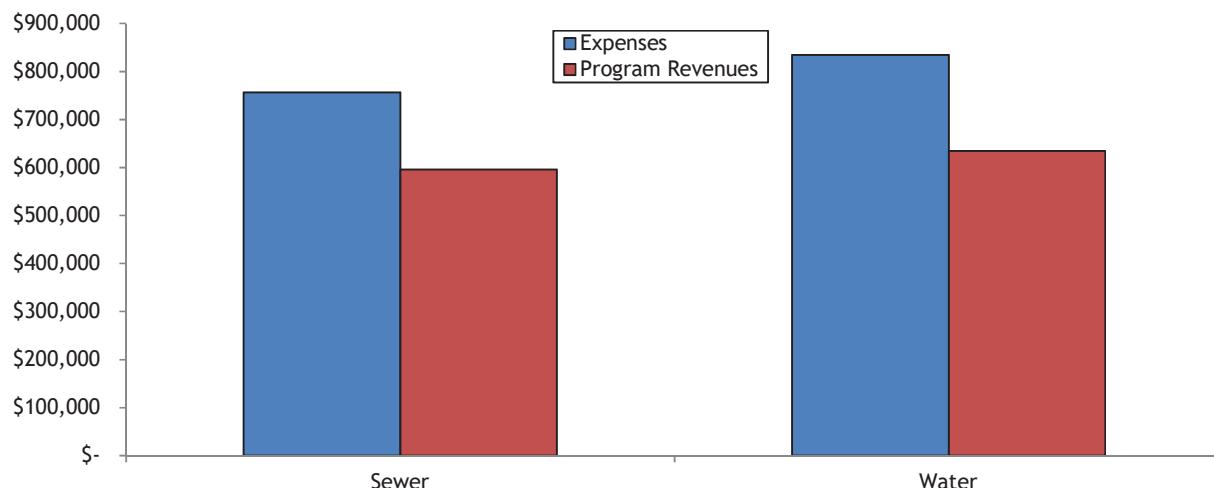
Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities decreased the City's net position by \$360,720. Key elements of this decrease are as follows:

- Overall business-type revenues remained constant due to no significant changes in billing rates, usage or state funding. Expenses decreased by 8.95% primarily due to a decrease in retirement costs relating to the net pension liability.
- With depreciation totaling \$358,961, contributing to the annual net position decrease, the City will perform a utility rates study and adjust accordingly for the future.

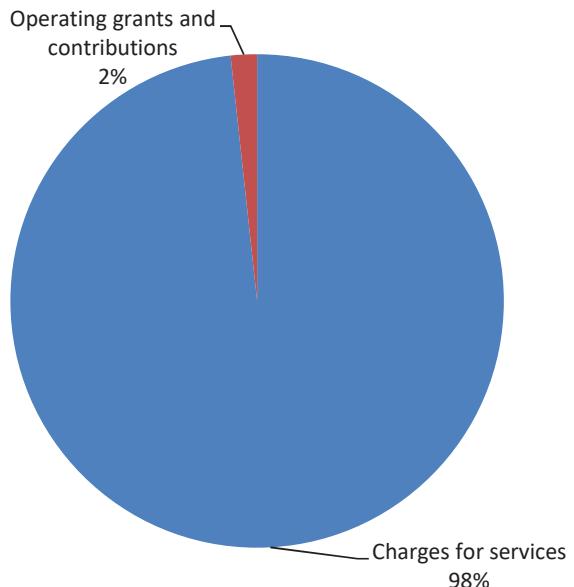
Expenses and Program Revenues - Business-type Activities



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 of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2020 fiscal year, the governmental funds reported a combined fund balance of \$1,746,394. Of this number, \$485,861 represents the General Fund's unassigned fund balance. The unassigned balance represents what is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. The General Fund pays for administration, public safety, public works, elections, legal, recreation, garbage collection, boards and commissions and other minor functions. The General Fund ended the year with a total fund balance of \$608,031, a decrease of \$90,774 (12.99%) from fiscal year 2018/19. The health of the General Fund may be measured by the ratio of General Fund balance to annual General Fund expenditures. Total General Fund balance on June 30, 2020 represents 15.10% of the general fund expenditures and transfers out.

Overall and in comparison to the previous year, General Fund revenues increased by \$211,680 and expenditures increased by \$340,241. Revenues increased primarily due to an increase in property tax revenues, while most expenditures increased due to overall inflation of approximately \$80,000, there were operational expenditure increases in public grounds maintenance approximately \$50,000 and public safety approximately \$90,000. In addition the Fire Department purchased new SCBA equipment for approximately \$162,000.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

In the Major Streets Fund, revenues (gas and weight tax, etc.) from the State of Michigan remained constant, but the fund did experience a decrease in fund balance of \$503,540, leaving a total restricted fund balance of \$234,951 at year-end.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. For the year ended June 30, 2020, net position of the Sewer Fund decreased by \$161,080 and net position of the Water Fund decreased by \$199,640.

The Sewer Fund experienced a 14% 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 available cash and investments at year end of \$782,652. The Water Fund experienced an decrease in net position of \$199,640 as result of increased expenses related to east main and weaver tower repairs and maintenance.

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. Depreciation of this project will end in fiscal year ending June 30, 2022.

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:

- A budget amendment was needed for a more accurate reflection of the City's decline in Building Inspection Program revenues/expenses (\$50,500).
- With the addition of two new full-time staff members, health insurance costs increased \$38,500 in the General Fund.
- The City amended the General Fund budget to reflect (\$145,000) decrease in transfers to other funds, by postponing some capital projects till the next fiscal year. The Local Street Fund (\$75,000) and Capital Projects Fund (\$70,000) reduced their transfers in revenue accordingly with the General Fund changes.
- The City reduced the Local Street Fund budget expenses to accommodate postponement of the State Street Extension construction project (\$150,000).
- The City reduced the Capital Projects Fund budget expenses to accommodate postponement of the Airport T-Hangar repairs and engineering for the Federally funded Runway Lighting/Electrical upgrade project (\$70,000).
- The City reduced the Major Street Fund's Cedar Street Extension Construction project revenues/expenses following the project being completed under budget (\$135,000).
- The City's Sewer Fund experienced a decline in sewer fees (\$90,000) following Gerber Products internal adjustments to their operations, to reduce output to the City's system by increasing their output to their own wastewater lagoon system in Dayton Township.
- The City increased the Sewer Fund capital expenditures budget (\$138,077) to accommodate relocation of a section of the City's sanitary sewer force main during the Cedar Street Extension project.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

- The City decreased the Water Fund budget (\$100,000) to reflect Gerber Products decline in water use, due to their changes in product preparation and processing. Expenses were reduced in various departmental areas of the Water Department to reflect the decrease in water revenue.

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, 2020 totaled \$25,243,027 (net of accumulated depreciation). Investments in capital assets include land and land improvements, buildings and improvements, infrastructure (including utility systems and roads), furniture and equipment.

The City finished construction of its alternate truck route leading to the Industrial Park and purchased several large heavy-duty equipment items for the DPW and Fire Department, which caused an increase in the total investment in capital assets.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,133,571	\$ 3,125,370	\$ 240,698	\$ 240,698	\$ 3,374,269	\$ 3,366,068
Construction in progress	115,052	656,121	-	-	115,052	656,121
Land improvements	819,924	872,391	-	-	819,924	872,391
Buildings and improvements	1,010,567	1,142,000	-	-	1,010,567	1,142,000
Utility systems	-	-	9,360,380	9,569,476	9,360,380	9,569,476
Vehicles and equipment	1,126,604	845,081	106,001	117,789	1,232,605	962,870
Infrastructure	9,330,230	7,948,555	-	-	9,330,230	7,948,555
Total capital assets, net	\$15,535,948	\$14,589,518	\$ 9,707,079	\$ 9,927,963	\$25,243,027	\$24,517,481

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

Long-term Debt. As of June 30, 2020, the City had outstanding long-term liabilities of \$719,149 consisting of a capital improvement bond, an unamortized discount related to those bonds, and compensated absences (accrued sick and vacation pay). The long-term liabilities decreased by \$140,613 primarily due to current year repayments of long-term debt.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital improvement bonds	\$ 300,000	\$ 450,000	\$ -	\$ -	\$ 300,000	\$ 450,000
Unamortized discount	(1,127)	(1,878)	-	-	(1,127)	(1,878)
Compensated absences	363,140	361,430	57,136	50,210	420,276	411,640
Total long-term debt	\$ 662,013	\$ 809,552	\$ 57,136	\$ 50,210	\$ 719,149	\$ 859,762

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

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budget and Rates

The General Fund operating budget for fiscal year 2020/21 was based on the continuation of the existing 15 mill property tax, which increased from 14 mills in 2015. The City's Charter permits a maximum tax levy of 20 mills for general operating purposes, but the City has been able to keep its levy at this relatively low level for more than twenty years. If needed, an additional five (5) mills (less a small Headlee millage rollback) could generate an additional \$725,000 in tax revenues for general operating purposes.

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

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

The General Fund budget for fiscal year 2020/21 increased by only 1.6% (\$68,612), sticking close to inflationary results of 2019.

For the City's street system, the City has budgeted to expend accumulated resources of \$235,000 to construct an extension of State Street westward to Market Avenue. This project also includes addition of another section of Fremont's Town & Country Path, extending the Path from existing pathway along Market Avenue eastward to the Meadow Hills Apartment complex entrance on State Street. This project should be completed during the Fall of 2020.

The City budgeted for an engineering analysis of the City's Sewer Wastewater Lagoon Operations, anticipating the need for a Lagoon expansion to accommodate future growth in the community and Industrial Park.

The City budgeted more conservatively than usual, acknowledging decreases in some revenues during the 4th quarter of the fiscal year, anticipating continued decrease and/or flatness of those revenues in the coming months.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, MICHIGAN

Statement of Net Position

June 30, 2020

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments	\$ 2,096,628	\$ 1,915,327	\$ 4,011,955	\$ 104,996
Receivables	482,455	371,960	854,415	29,219
Capital assets not being depreciated	3,248,623	240,698	3,489,321	-
Capital assets being depreciated, net	12,287,325	9,466,381	21,753,706	-
Total assets	18,115,031	11,994,366	30,109,397	134,215
Deferred outflows of resources				
Deferred pension amounts	557,411	302,129	859,540	-
Deferred OPEB amounts	18,872	-	18,872	-
Total deferred outflows of resources	576,283	302,129	878,412	-
Liabilities				
Accounts payable and accrued liabilities	168,150	12,129	180,279	7,909
Unearned revenue	179,238	-	179,238	-
Long-term debt:				
Due within one year	283,249	57,136	340,385	-
Due in more than one year	378,764	-	378,764	-
Net pension liability (due in more than one year)	3,751,514	2,033,396	5,784,910	-
Net OPEB liability (due in more than one year)	64,580	-	64,580	-
Total liabilities	4,825,495	2,102,661	6,928,156	7,909
Deferred inflows of resources				
Deferred pension amounts	50,851	27,561	78,412	-
Deferred OPEB amounts	20,748	-	20,748	-
Total deferred inflows of resources	71,599	27,561	99,160	-
Net position				
Net investment in capital assets	15,237,075	9,707,079	24,944,154	-
Restricted for:				
Streets and highways	490,940	-	490,940	-
Debt service	7,559	-	7,559	-
Perpetual care (non-expendable)	338,796	-	338,796	-
Unrestricted (deficit)	(2,280,150)	459,194	(1,820,956)	126,306
Total net position	\$ 13,794,220	\$ 10,166,273	\$ 23,960,493	\$ 126,306

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, 2020

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Primary government							
Governmental activities:							
General government	\$ 824,731	\$ 78,429	\$ 14,993	\$ -	\$ (731,309)		
Public safety	2,252,155	189,403	73,024	-	(1,989,728)		
Public works	1,743,029	319,392	662,798	853,861	93,022		
Community and economic development	157,303	330	-	-	(156,973)		
Culture and recreation	234,023	229,989	-	21,950	17,916		
Airport operations	122,298	106,555	-	-	(15,743)		
Interest on long-term debt	15,117	-	-	-	(15,117)		
Total governmental activities	<u>5,348,656</u>	<u>924,098</u>	<u>750,815</u>	<u>875,811</u>	<u>(2,797,932)</u>		
Business-type activities:							
Sewer	756,881	587,773	8,028	-	(161,080)		
Water	<u>834,330</u>	<u>620,117</u>	<u>13,073</u>	<u>1,500</u>	<u>(199,640)</u>		
Total business-type activities	<u>1,591,211</u>	<u>1,207,890</u>	<u>21,101</u>	<u>1,500</u>	<u>(360,720)</u>		
Total primary government	<u>\$ 6,939,867</u>	<u>\$ 2,131,988</u>	<u>\$ 771,916</u>	<u>\$ 877,311</u>	<u>\$ (3,158,652)</u>		
Component units							
Downtown Development Authority	\$ 365,209	\$ 22,375	\$ 14,000	\$ -	\$ (328,834)		
Local Development							
Finance Authority	24,824	-	-	-	(24,824)		
Fremont Community Joint							
Planning Commission	2,773	-	-	-	(2,773)		
Total component units	<u>\$ 392,806</u>	<u>\$ 22,375</u>	<u>\$ 14,000</u>	<u>\$ -</u>	<u>\$ (356,431)</u>		

continued...

CITY OF FREMONT, MICHIGAN

Statement of Activities For the Year Ended June 30, 2020

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position				
Net (expense) revenue	\$ (2,797,932)	\$ (360,720)	\$ (3,158,652)	\$ (356,431)
General revenues:				
Property taxes	2,085,897	-	2,085,897	336,743
Licenses and permits	74,355	-	74,355	-
Grants and contributions not restricted to specific programs	767,609	-	767,609	-
Unrestricted investment earnings	22,872	-	22,872	2,017
Miscellaneous	6,866	-	6,866	-
Total general revenues	2,957,599	-	2,957,599	338,760
Change in net position	159,667	(360,720)	(201,053)	(17,671)
Net position, beginning of year	13,634,553	10,526,993	24,161,546	143,977
Net position, end of year	<u>\$ 13,794,220</u>	<u>\$ 10,166,273</u>	<u>\$ 23,960,493</u>	<u>\$ 126,306</u>

concluded

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

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CITY OF FREMONT, MICHIGAN

Balance Sheet Governmental Funds June 30, 2020

	General Fund	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 689,293	\$ 60,351	\$ 932,479	\$ 1,682,123
Receivables:				
Accounts	100,951	-	-	100,951
Special assessments	-	-	75,104	75,104
Due from other governments	81,579	175,511	49,310	306,400
Total assets	\$ 871,823	\$ 235,862	\$ 1,056,893	\$ 2,164,578
Liabilities				
Accounts payable	\$ 63,747	\$ 721	\$ 1,110	\$ 65,578
Accrued liabilities	12,971	190	267	13,428
Due to other governments	84,836	-	-	84,836
Unearned revenue	102,238	-	77,000	179,238
Total liabilities	263,792	911	78,377	343,080
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	75,104	75,104
Fund balances				
Nonspendable	-	-	338,796	338,796
Restricted	-	234,951	265,483	500,434
Committed	-	-	299,133	299,133
Assigned	122,170	-	-	122,170
Unassigned	485,861	-	-	485,861
Total fund balances	608,031	234,951	903,412	1,746,394
Total liabilities, deferred inflows of resources and fund balances	\$ 871,823	\$ 235,862	\$ 1,056,893	\$ 2,164,578

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, 2020

Fund balances - total governmental funds	\$ 1,746,394	
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	3,248,623	
Capital assets being depreciated, net	12,287,325	
Less: capital assets being accounted for in internal service funds	(1,379,737)	
Special assessment revenue is not recognized until it is available to pay for current year expenditures and, therefore, is shown as deferred inflows of resources in the governmental funds.	75,104	
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	1,791,869	
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bond payable and unamortized discount	(298,873)	
Compensated absences payable	(363,140)	
Accrued interest on bonds payable	(1,935)	
Certain pension and other postemployment benefit-related amounts, such as the net pension liability, net other postemployment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.		
Net pension liability	(3,751,514)	
Net other postemployment benefits liability	(64,580)	
Deferred outflows related to the net pension liability	557,411	
Deferred outflows related to the net other postemployment benefits liability	18,872	
Deferred inflows related to the net pension liability	(50,851)	
Deferred inflows related to the net other postemployment benefits liability	<u>(20,748)</u>	
Net position of governmental activities	<u>\$ 13,794,220</u>	

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balances

Governmental Funds

For the Year Ended June 30, 2020

	General Fund	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 2,085,897	\$ -	\$ -	\$ 2,085,897
Special assessments	-	-	24,069	24,069
Licenses and permits	74,355	-	-	74,355
Intergovernmental:				
Federal	30,000	647,629	-	677,629
State	775,779	455,839	189,943	1,421,561
Local	5,000	-	176,867	181,867
Charges for services	875,293	37,142	8,125	920,560
Fines and forfeitures	4,739	-	-	4,739
Investment earnings	22,872	13,169	14,000	50,041
Other	61,440	-	-	61,440
Total revenues	3,935,375	1,153,779	413,004	5,502,158
Expenditures				
Current:				
General government	624,200	-	-	624,200
Public safety	1,589,526	-	-	1,589,526
Public works	715,128	1,567,319	239,479	2,521,926
Community and economic development	82,284	-	22,375	104,659
Culture and recreation	158,565	-	-	158,565
Airport operations	116,863	-	-	116,863
Other governmental functions	739,583	-	-	739,583
Debt service:				
Principal	-	-	150,000	150,000
Interest and fees	-	-	15,334	15,334
Capital outlay	-	-	32,356	32,356
Total expenditures	4,026,149	1,567,319	459,544	6,053,012
Revenues under expenditures	(90,774)	(413,540)	(46,540)	(550,854)
Other financing sources (uses)				
Transfers in	-	-	90,000	90,000
Transfers out	-	(90,000)	-	(90,000)
Total other financing sources (uses)	-	(90,000)	90,000	-
Net change in fund balances	(90,774)	(503,540)	43,460	(550,854)
Fund balances, beginning of year	698,805	738,491	859,952	2,297,248
Fund balances, end of year	\$ 608,031	\$ 234,951	\$ 903,412	\$ 1,746,394

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

CITY OF FREMONT, MICHIGAN

Reconciliation

Net Change in Fund Balances of Governmental Funds
 To Change in Net Position of Governmental Activities
 For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds	\$ (550,854)
Amounts reported for <i>governmental activities</i> 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	2,182,373
Less: purchase/construction of capital assets being accounted for in internal service funds	(443,666)
Depreciation expense	(1,235,943)
Less: depreciation expense being accounted for in internal service funds	159,120
Internal service funds are used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) of those funds is reported with governmental activities.	
Operating income from internal service funds	123,325
Investment income from governmental activities internal service funds	6,840
Miscellaneous income from governmental activities internal service funds	1,029
Governmental funds recognize special assessments as revenue as they become current; however, they are recognized in full when levied in the statement of activities.	
(1,704)	
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term debt in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.	
Principal payments on long-term debt	150,000
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	(237,891)
Change in the net other postemployment benefits liability and related deferred amounts	8,531
Change in compensated absences	(1,710)
Amortization of bond discount	(751)
Change in accrued interest payable	968
Change in net position of governmental activities	\$ <u>159,667</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 2,057,571	\$ 2,100,781	\$ 2,085,897	\$ (14,884)
Licenses and permits	114,250	81,750	74,355	(7,395)
Intergovernmental:				
Federal	80,000	30,000	30,000	-
State	841,400	779,360	775,779	(3,581)
Local	5,000	5,000	5,000	-
Charges for services	935,650	899,650	875,293	(24,357)
Fines and forfeitures	8,500	8,500	4,739	(3,761)
Investment earnings	25,000	25,000	22,872	(2,128)
Other	60,750	70,790	61,440	(9,350)
Total revenues	4,128,121	4,000,831	3,935,375	(65,456)
Expenditures				
Current:				
General government:				
Legislative	12,145	14,145	12,783	(1,362)
Executive	86,193	86,193	87,394	1,201
Elections	5,354	7,883	7,746	(137)
General administration	21,000	8,200	8,200	-
Clerk	82,382	82,382	80,612	(1,770)
Treasurer	42,796	42,796	41,778	(1,018)
Assessor	46,470	46,470	43,094	(3,376)
Cemetery	132,601	132,601	140,459	7,858
Attorney	25,000	29,000	25,914	(3,086)
Building and grounds	126,295	144,295	136,607	(7,688)
Public relations	37,265	37,265	39,613	2,348
Total general government	617,501	631,230	624,200	(7,030)
Public safety:				
Police department	1,146,350	1,161,950	1,145,522	(16,428)
Fire department	472,945	472,945	444,004	(28,941)
Total public safety	1,619,295	1,634,895	1,589,526	(45,369)
Public works:				
Department of public works	367,240	383,740	404,568	20,828
Refuse and recycling	274,460	287,460	283,713	(3,747)
Yard waste	45,849	28,849	26,847	(2,002)
Total public works	687,549	700,049	715,128	15,079

continued...

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (continued):				
Community and economic development:				
Planning and zoning	\$ 113,442	\$ 65,942	\$ 52,754	\$ (13,188)
Community development	19,245	29,245	29,530	285
Total community and economic development	<u>132,687</u>	<u>95,187</u>	<u>82,284</u>	<u>(12,903)</u>
Culture and recreation:				
Parks and recreation	<u>147,990</u>	<u>162,090</u>	<u>158,565</u>	<u>(3,525)</u>
Airport operations	<u>137,330</u>	<u>133,330</u>	<u>116,863</u>	<u>(16,467)</u>
Other governmental functions:				
Employee fringe benefits and other items	712,835	751,780	739,583	(12,197)
Tax tribunal refunds	2,500	2,500	-	(2,500)
Total other governmental functions	<u>715,335</u>	<u>754,280</u>	<u>739,583</u>	<u>(14,697)</u>
Total expenditures	<u>4,057,687</u>	<u>4,111,061</u>	<u>4,026,149</u>	<u>(84,912)</u>
Revenues over (under) expenditures	70,434	(110,230)	(90,774)	19,456
Other financing uses				
Transfers out	<u>(145,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(74,566)	(110,230)	(90,774)	19,456
Fund balance, beginning of year	<u>698,805</u>	<u>698,805</u>	<u>698,805</u>	<u>-</u>
Fund balance, end of year	<u>\$ 624,239</u>	<u>\$ 588,575</u>	<u>\$ 608,031</u>	<u>\$ 19,456</u>

concluded

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Major Streets Special Revenue Fund For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal	\$ 738,425	\$ 738,425	\$ 647,629	\$ (90,796)
State	420,000	460,000	455,839	(4,161)
Charges for services	5,000	34,000	37,142	3,142
Investment earnings	2,500	2,500	13,169	10,669
Total revenues	1,165,925	1,234,925	1,153,779	(81,146)
Expenditures				
Current:				
Public works:				
Construction	1,565,000	1,434,100	1,441,492	7,392
Routine maintenance	57,295	57,295	59,202	1,907
Traffic services	11,880	13,880	10,191	(3,689)
Snow & ice control	25,535	25,535	21,544	(3,991)
Trunkline maintenance	60,000	60,000	34,890	(25,110)
Total expenditures	1,719,710	1,590,810	1,567,319	(23,491)
Revenues under expenditures	(553,785)	(355,885)	(413,540)	(57,655)
Other financing uses				
Transfers out	(90,000)	(90,000)	(90,000)	-
Net change in fund balance	(643,785)	(445,885)	(503,540)	(57,655)
Fund balance, beginning of year	738,491	738,491	738,491	-
Fund balance, end of year	\$ 94,706	\$ 292,606	\$ 234,951	\$ (57,655)

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

CITY OF FREMONT, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Assets				
Current assets:				
Cash and investments	\$ 782,652	\$ 1,132,675	\$ 1,915,327	\$ 414,505
Accounts receivable	188,827	183,133	371,960	-
Total current assets	<u>971,479</u>	<u>1,315,808</u>	<u>2,287,287</u>	<u>414,505</u>
Noncurrent assets:				
Capital assets, net				
Land	228,972	11,726	240,698	-
Buildings	-	-	-	632,455
Utility systems	10,919,515	8,375,709	19,295,224	-
Equipment	205,389	87,466	292,855	3,687,361
Construction in progress	-	-	-	100,000
Accumulated depreciation	(6,795,057)	(3,326,641)	(10,121,698)	(3,040,079)
Total noncurrent assets	<u>4,558,819</u>	<u>5,148,260</u>	<u>9,707,079</u>	<u>1,379,737</u>
Total assets	<u>5,530,298</u>	<u>6,464,068</u>	<u>11,994,366</u>	<u>1,794,242</u>
Deferred outflows of resources				
Deferred pension amounts	<u>146,982</u>	<u>155,147</u>	<u>302,129</u>	-
Liabilities				
Current liabilities:				
Accounts payable	4,532	3,895	8,427	1,856
Accrued liabilities	1,663	2,039	3,702	517
Current portion of long-term debt	30,029	27,107	57,136	-
Total current liabilities	<u>36,224</u>	<u>33,041</u>	<u>69,265</u>	<u>2,373</u>
Noncurrent liabilities:				
Net pension liability	<u>989,220</u>	<u>1,044,176</u>	<u>2,033,396</u>	-
Total liabilities	<u>1,025,444</u>	<u>1,077,217</u>	<u>2,102,661</u>	<u>2,373</u>
Deferred inflows of resources				
Deferred pension amounts	<u>13,408</u>	<u>14,153</u>	<u>27,561</u>	-
Net position				
Investment in capital assets	4,558,819	5,148,260	9,707,079	1,379,737
Unrestricted	<u>79,609</u>	<u>379,585</u>	<u>459,194</u>	<u>412,132</u>
Total net position	<u>\$ 4,638,428</u>	<u>\$ 5,527,845</u>	<u>\$ 10,166,273</u>	<u>\$ 1,791,869</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenses and Change in Fund Net Position Proprietary Funds For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Revenues				
Charges for services	\$ 587,773	\$ 620,117	\$ 1,207,890	\$ 491,592
Operating expenses				
Administration	153,976	106,422	260,398	51,100
Operations	405,875	565,977	971,852	158,047
Depreciation	197,030	161,931	358,961	159,120
Total operating expenses	756,881	834,330	1,591,211	368,267
Operating income (loss)	(169,108)	(214,213)	(383,321)	123,325
Nonoperating revenues				
Investment income	8,028	13,073	21,101	6,840
Miscellaneous	-	-	-	1,029
Total nonoperating revenues	8,028	13,073	21,101	7,869
Income (loss) before capital contributions	(161,080)	(201,140)	(362,220)	131,194
Capital contributions				
Connection fees	-	1,500	1,500	-
Change in net position	(161,080)	(199,640)	(360,720)	131,194
Net position, beginning of year	4,799,508	5,727,485	10,526,993	1,660,675
Net position, end of year	\$ 4,638,428	\$ 5,527,845	\$ 10,166,273	\$ 1,791,869

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, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Sewer		Water	Total	Internal Service Fund
Cash flows from operating activities					
Receipts from customers	\$ 562,507	\$ 577,376	\$ 1,139,883	\$ -	-
Receipts from interfund services provided	-	-	-	491,592	
Payments to and refunds received from suppliers	(122,464)	(306,700)	(429,164)	(159,582)	
Payments to or on behalf of employees	(374,495)	(413,948)	(788,443)	(52,130)	
Payments for interfund services used	(64,362)	(28,181)	(92,543)	-	
Net cash provided by (used in) operating activities	1,186	(171,453)	(170,267)	279,880	
Cash flows from capital and related financing activities					
Connection fees received	-	1,500	1,500	-	
Miscellaneous	-	-	-	1,029	
Purchase of capital assets	(138,077)	-	(138,077)	(443,666)	
Net cash provided by (used in) capital and related financing activities	(138,077)	1,500	(136,577)	(442,637)	
Cash flows from investing activities					
Interest received	8,028	13,073	21,101	6,840	
Net decrease in cash and investments	(128,863)	(156,880)	(285,743)	(155,917)	
Cash and investments, beginning of year	911,515	1,289,555	2,201,070	570,422	
Cash and investments, end of year	\$ 782,652	\$ 1,132,675	\$ 1,915,327	\$ 414,505	
Cash flows from operating activities					
Operating income (loss)	\$ (169,108)	\$ (214,213)	\$ (383,321)	\$ 123,325	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	197,030	161,931	358,961	159,120	
Changes in assets, deferred outflows/inflows of resources, and liabilities that provided (used) cash:					
Accounts receivable	(25,266)	(42,741)	(68,007)	-	
Accounts payable	(11,837)	(6,082)	(17,919)	(1,535)	
Accrued liabilities	(7,017)	(6,771)	(13,788)	(1,030)	
Compensated absences	6,029	897	6,926	-	
Net pension liability	(107,503)	(212,799)	(320,302)	-	
Deferred outflows for pension	117,558	148,049	265,607	-	
Deferred inflows for pension	1,300	276	1,576	-	
Net cash provided by (used in) operating activities	\$ 1,186	\$ (171,453)	\$ (170,267)	\$ 279,880	

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, 2020

	Trust & Agency Fund	Other Post-Employment Benefits Trust
Assets		
Cash and investments	\$ 30,856	\$ -
Investments:		
MERS diversified bond portfolio	-	18,362
MERS established market portfolio	-	18,918
MERS short-term income fund	-	17,432
MERS total market portfolio	-	18,829
Total investments	<u>-</u>	<u>73,541</u>
Receivables	4,307	-
Total assets	<u>\$ 35,163</u>	<u>73,541</u>
Liabilities		
Accounts payable	\$ 539	-
Due to other governmental units	<u>34,624</u>	<u>-</u>
Total liabilities	<u>\$ 35,163</u>	<u>-</u>
Net position		
Restricted for other postemployment benefits		\$ 73,541

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

CITY OF FREMONT, MICHIGAN

Statement of Change in Fiduciary Net Position

Fiduciary Funds
For the Year Ended June 30, 2020

	Other Post- Employment Benefits Trust
Additions	
Employer contributions	\$ 18,343
Investment earnings	<u>1,951</u>
Total additions	<u>20,294</u>
Deductions	
Benefit payments	3,343
Administrative expenses	<u>120</u>
Total deductions	<u>3,463</u>
Change in net position	16,831
Net position, beginning of year	<u>56,710</u>
Net position, end of year	<u>\$ 73,541</u>

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, 2020

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Assets				
Cash and investments	\$ 92,111	\$ 7,277	\$ 5,608	\$ 104,996
Receivables	<u>29,219</u>	<u>-</u>	<u>-</u>	<u>29,219</u>
Total assets	121,330	7,277	5,608	134,215
Liabilities				
Accounts payable and accrued liabilities	<u>7,909</u>	<u>-</u>	<u>-</u>	<u>7,909</u>
Net position				
Unrestricted	<u>\$ 113,421</u>	<u>\$ 7,277</u>	<u>\$ 5,608</u>	<u>\$ 126,306</u>

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, 2020

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Expenses				
Downtown Development Authority	\$ 365,209	\$ -	\$ -	\$ 365,209
Local Development Finance Authority	-	24,824	-	24,824
Fremont Community Joint Planning Commission	-	-	2,773	2,773
Total expenses	<u>365,209</u>	<u>24,824</u>	<u>2,773</u>	<u>392,806</u>
Program revenues				
Charges for services	22,375	-	-	22,375
Operating grants and contributions	14,000	-	-	14,000
Total program revenues	<u>36,375</u>	<u>-</u>	<u>-</u>	<u>36,375</u>
Net expense	<u>(328,834)</u>	<u>(24,824)</u>	<u>(2,773)</u>	<u>(356,431)</u>
General revenues				
Property taxes	311,988	24,755	-	336,743
Unrestricted investment earnings	1,789	110	118	2,017
Total general revenues	<u>313,777</u>	<u>24,865</u>	<u>118</u>	<u>338,760</u>
Change in net position	<u>(15,057)</u>	<u>41</u>	<u>(2,655)</u>	<u>(17,671)</u>
Net position, beginning of year	<u>128,478</u>	<u>7,236</u>	<u>8,263</u>	<u>143,977</u>
Net position, end of year	<u>\$ 113,421</u>	<u>\$ 7,277</u>	<u>\$ 5,608</u>	<u>\$ 126,306</u>

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

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

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Joint Venture

Fremont Community Recreational Authority (Recreational Authority) - The City entered into an agreement with three local townships to form a recreational authority for the purpose of the acquisition, construction, operation, maintenance, or improvement of public recreation centers, public parks, and recreation facilities. During the year ended June 30, 2016, the City made a \$60,000 operating loan to the Recreational Authority. The balance of that loan as of June 30, 2020, was \$30,000.

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

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

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

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

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

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

Budgets and Budgetary Accounting

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

1. Prior to the third Monday of May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Not later than the second regular meeting in June, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
5. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2020. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

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

Cash and Investments

For purposes of the statement of cash flows, the City considers all assets held in highly liquid investments with an original maturity of three months or less to be cash and investments. Investments are stated at fair value or amortized cost, as described in more detail in Note 3.

Receivables and Payables

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

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

Special Assessments

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

Due From Other Governments

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

Prepaid Items

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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 changes in expected and actual investment returns, assumptions, and benefits provided in its pension and other postemployment benefits plans. A portion of these costs represent contributions to the pension plan subsequent to the plan measurement date.

Compensated Absences

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Pensions and Postemployment Benefits Other Than Pensions (OPEB)

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

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues related to special assessments, which arise only under a modified accrual basis of accounting that are reported as deferred inflows of resources. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the City reports deferred inflows of resources related to its pension and other postemployment benefits plans.

Property Taxes

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

CITY OF FREMONT, MICHIGAN

■ Notes to Financial Statements

Fund Equity

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

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

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

Interfund Transactions

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

Use of Estimates

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2020, 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:			
Executive	\$ 86,193	\$ 87,394	\$ 1,201
Cemetery	132,601	140,459	7,858
Public relations	37,265	39,613	2,348
Public works:			
Department of public works	383,740	404,568	20,828
Community and economic development:			
Community development	29,245	29,530	285
Major Streets fund:			
Public works:			
Construction	1,434,100	1,441,492	7,392
Routine maintenance	57,295	59,202	1,907
Local Streets fund:			
Public works:			
Routine maintenance	211,224	222,387	11,163

3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2020:

	Primary Government	Component Units	Fiduciary Funds	Total
Cash and investments	\$ 4,011,955	\$ 104,996	\$ 104,397	\$ 4,221,348

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Cash and investments are composed of the following at June 30, 2020:

Checking/savings accounts	\$ 1,346,778
Certificates of deposit:	
Due within one year	1,348,014
Due in one to five years	438,631
Investments	1,087,063
Petty cash	862
Total cash and investments	\$ 4,221,348

Statutory Authority

State statutes authorize the City to invest in:

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

The City chooses to disclose its investments by specifically identifying each. As of June 30, 2020, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 1,011,162	AAAm (S&P)
Money market account	N/A	2,360	N/A
MERS diversified bond portfolio	N/A	18,362	N/A
MERS established market portfolio	N/A	18,918	N/A
MERS short-term income fund	N/A	17,432	N/A
MERS total market portfolio	N/A	18,829	N/A
Total investments		\$ 1,087,063	

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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, \$1,703,918 of the City’s bank balance of \$3,343,081 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

Fair Value

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. These levels are determined by the City’s finance director and are determined at the fund level based on a review of the investment’s class, structure, and what kind of securities are held in the funds. The finance director will request the information from the fund manager, if necessary.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

The City had the following recurring fair value measurements as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Money market account	\$ 2,360	\$ -	\$ -	\$ 2,360
MERS diversified bond portfolio	18,362	-	-	18,362
MERS established market portfolio	18,918	-	-	18,918
MERS short-term income fund	17,432	-	-	17,432
MERS total market portfolio	<u>18,829</u>	<u>-</u>	<u>-</u>	<u>18,829</u>
 Total	 \$ 75,901	 <u>\$ -</u>	 <u>\$ -</u>	 75,901
 Investments carried at net asset value:				
Michigan CLASS government investment pool				<u>1,011,162</u>
				 <u>\$ 1,087,063</u>

The City holds shares in the Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the County's investment in the Michigan CLASS government investment pool was \$1,011,162. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES

At June 30, 2020, the City's receivables consisted of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 100,951	\$ 371,960	\$ -
Special assessments	75,104	-	-
Due from other governments	306,400	-	-
Notes	-	-	29,219
Total	\$ 482,455	\$ 371,960	\$ 29,219

Of the amounts reported above, \$20,000 of due from other governments reported in governmental activities and \$12,894 of notes receivable reported in the Downtown Development Authority component unit are not expected to be collected within one year.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At June 30, 2020, the City's accounts payable and accrued liabilities were as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 67,434	\$ 8,427	\$ 7,909
Accrued liabilities	13,945	3,702	-
Due to other governments	84,836	-	-
Accrued interest payable	1,935	-	-
Total	\$ 168,150	\$ 12,129	\$ 7,909

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 3,125,370	\$ 8,201	\$ -	\$ -	\$ 3,133,571
Construction in progress	656,121	1,410,065	-	(1,951,134)	115,052
	<u>3,781,491</u>	<u>1,418,266</u>	<u>-</u>	<u>(1,951,134)</u>	<u>3,248,623</u>
Capital assets, being depreciated:					
Land improvements	1,832,352	31,566	-	-	1,863,918
Buildings and improvements	4,753,498	-	-	-	4,753,498
Vehicles and equipment	4,296,300	443,458	-	-	4,739,758
Infrastructure	<u>21,321,367</u>	<u>289,083</u>	<u>-</u>	<u>1,951,134</u>	<u>23,561,584</u>
	<u>32,203,517</u>	<u>764,107</u>	<u>-</u>	<u>1,951,134</u>	<u>34,918,758</u>
Less accumulated depreciation for:					
Land improvements	(959,961)	(84,033)	-	-	(1,043,994)
Buildings and improvements	(3,611,498)	(131,433)	-	-	(3,742,931)
Vehicles and equipment	(3,451,219)	(161,935)	-	-	(3,613,154)
Infrastructure	<u>(13,372,812)</u>	<u>(858,542)</u>	<u>-</u>	<u>-</u>	<u>(14,231,354)</u>
	<u>(21,395,490)</u>	<u>(1,235,943)</u>	<u>-</u>	<u>-</u>	<u>(22,631,433)</u>
Total capital assets being depreciated, net	<u>10,808,027</u>	<u>(471,836)</u>	<u>-</u>	<u>1,951,134</u>	<u>12,287,325</u>
Governmental activities capital assets, net	<u>\$ 14,589,518</u>	<u>\$ 946,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,535,948</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

Governmental activities

General government	\$ 116,272
Public safety	429,759
Public works	459,624
Community and economic development	28,297
Culture and recreation	42,871
Depreciation charged to Internal Service Funds	<u>159,120</u>
	<u><u>\$ 1,235,943</u></u>

Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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Business-type activities

Capital assets, not being depreciated:

Land	\$ 240,698	\$ -	\$ -	\$ -	\$ 240,698
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Capital assets, being depreciated:

Utility systems	19,157,147	138,077	-	-	19,295,224
Equipment	292,855	-	-	-	292,855
	<u>19,450,002</u>	<u>138,077</u>	<u>-</u>	<u>-</u>	<u>19,588,079</u>

Less accumulated depreciation for:

Utility systems	(9,587,671)	(347,173)	-	-	(9,934,844)
Equipment	(175,066)	(11,788)	-	-	(186,854)
	<u>(9,762,737)</u>	<u>(358,961)</u>	<u>-</u>	<u>-</u>	<u>(10,121,698)</u>

Total capital assets

being depreciated, net	<u>9,687,265</u>	<u>(220,884)</u>	<u>-</u>	<u>-</u>	<u>9,466,381</u>
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Business-type activities

capital assets, net	<u>\$ 9,927,963</u>	<u>\$ (220,884)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,707,079</u>
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Depreciation expense was charged to functions/programs of business-type activities as follows:

Business-type activities

Sewer	\$ 197,030
Water	<u>161,931</u>
	<u><u>\$ 358,961</u></u>

As of year-end, the City had outstanding construction and other capital asset purchase commitments totaling approximately \$444,000.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

7. LONG-TERM DEBT

The following is a summary of the debt transactions for the City during the year ended June 30, 2020:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds:					
2006 Capital Improvement Bonds due in annual installments of \$100,000 to \$150,000 including interest at 3.87% through					
November 2021	\$ 450,000	\$ -	\$ (150,000)	\$ 300,000	\$ 150,000
Unamortized discount	(1,878)	-	751	(1,127)	(751)
Compensated absences	<u>361,430</u>	<u>135,760</u>	<u>(134,050)</u>	<u>363,140</u>	<u>134,000</u>
Total governmental activities	<u>\$ 809,552</u>	<u>\$ 135,760</u>	<u>\$ (283,299)</u>	<u>\$ 662,013</u>	<u>\$ 283,249</u>
Business-type activities					
Compensated absences	<u>\$ 50,210</u>	<u>\$ 29,397</u>	<u>\$ (22,471)</u>	<u>\$ 57,136</u>	<u>\$ 57,136</u>

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

Year Ended June 30,	Governmental Activities General Obligation Bonds	
	Principal	Interest
2021	\$ 150,000	\$ 8,708
2022	<u>\$ 150,000</u>	<u>\$ 2,903</u>
	<u><u>\$ 300,000</u></u>	<u><u>\$ 11,611</u></u>

The City was in compliance in all material respects with all bond indentures at June 30, 2020.

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

8. INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2020 is as follows:

	Transfers In
	Nonmajor Governmental Funds
Transfers out	
Major streets fund	\$ <u>90,000</u>

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

9. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Permanent corpus	\$ -	\$ -	\$ 338,796	\$ 338,796
Restricted:				
Highways and streets	-	234,951	255,989	490,940
Debt service	-	-	9,494	9,494
Total restricted	-	234,951	265,483	500,434
Committed:				
Capital projects	-	-	299,133	299,133
Assigned:				
Subsequent year's budget	122,170	-	-	122,170
Unassigned	485,861	-	-	485,861
Total fund balances, governmental funds	\$ 608,031	\$ 234,951	\$ 903,412	\$ 1,746,394

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 \$31,157 from noncancelable operating leases for land use and hanger rental during the year ended June 30, 2020, which has been recorded as rental income. The future minimum rental income for these leases are as follows:

Year Ended June 30,	Amount
2021	\$ 31,317
2022	31,509
2023	1,607
2024	1,607
2025	1,607
2026-2030	8,035
2031-2035	7,189
2036-2037	<u>1,522</u>
	<u><u>\$ 84,393</u></u>

12. RISK MANAGEMENT

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

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

13. PENSION PLANS

General Information About the Plan

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

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

Employees Covered by Benefit Terms. At the December 31, 2019 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<hr/> 27
Total membership	<hr/> <hr/> 62

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 accrued liability. In addition, the employer may establish contribution rates to be paid by its covered employees.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2020:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - General	\$30,318/month	0.00%	Closed
02 - Police/Fire	\$10,711/month	3.50%	Closed
03 - Gnrl 12/12 & Pol/Fi 7/16	8.01%	0.00%	Open
20 - Pol/Fi aft 7/16	7.10%	7.00%	Open

Net Pension Liability. The City's net pension liability was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation

The mortality table used to project the mortality experience of non-disabled plan members is a 50% male, 50% female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% Male, 50% Female blend of RP-2014 Disabled Retiree Mortality Tables.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience study of 2009-2013.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Long-term Expected Rate of Return. 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	60.0%	5.25%	3.15%
Global fixed income	20.0%	1.25%	0.25%
Private investments	<u>20.0%</u>	<u>7.25%</u>	<u>1.45%</u>
	<u><u>100.0%</u></u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.60%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2019 was 7.6% (down from 8.0% at December 31, 2018). 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, 2018	\$ 13,608,169	\$ 7,348,333	\$ 6,259,836
Changes for the year:			
Service cost	181,805	-	181,805
Interest	1,064,790	-	1,064,790
Differences between expected and actual experience	(40,422)	-	(40,422)
Changes in assumptions	442,434	-	442,434
Employer contributions	-	1,109,004	(1,109,004)
Employee contributions	-	21,827	(21,827)
Net investment income	-	1,010,140	(1,010,140)
Benefit payments, including refunds of employee contributions	(778,394)	(778,394)	-
Administrative expense	-	(17,438)	17,438
Net changes	<u>870,213</u>	<u>1,345,139</u>	<u>(474,926)</u>
Balances at December 31, 2019	<u>\$ 14,478,382</u>	<u>\$ 8,693,472</u>	<u>\$ 5,784,910</u>

Changes in assumptions. In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

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 7.6%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

1% Decrease (6.6%)	Current Discount Rate (7.6%)	1% Increase (8.6%)
\$ 7,475,185	\$ 5,784,910	\$ 4,358,736

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the City recognized pension expense of \$1,016,969. The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 190,818	\$ 78,412	\$ 112,406
Changes in assumptions	353,947	-	353,947
Net difference between projected and actual earnings on pension plan investments	46,409	-	46,409
	591,174	78,412	512,762
Contributions subsequent to the measurement date	268,366	-	268,366
Total	\$ 859,540	\$ 78,412	\$ 781,128

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, 2021. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2021	\$ 127,828
2022	144,376
2023	241,932
2024	(1,374)
Total	\$ 512,762

Payable to the Pension Plan. At June 30, 2020, the City had no amounts payable for contributions to the pension plan.

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

457(b) Plan

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

14. OTHER POSTEMPLOYMENT BENEFITS

General Information About the Plan

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

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

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

Plan Membership. At June 30, 2019, the date of the most recent actuarial valuation, OPEB Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	1
Inactive plan members entitled to but not yet receiving benefit payments	4
Active plan members	<u>26</u>
Total membership	<u>31</u>

Benefits Provided. The City Council has the authority to establish or amend benefit terms, to determine the types of benefits provided through the OPEB Plan, and to determine the classes of plan members covered. The City permits retiring employees and their spouse to continue on the employer-paid health insurance program at a 50% employee-paid rate until the retired employee reaches the age of 65. If a spouse reaches the age of 65 before the retiree, their coverage ends at that time.

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

Investments

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Concentrations. At June 30, 2020, the OPEB Plan's investments were fully invested in the MERS Retiree Health Funding Vehicle. Within this account, the OPEB Plan's account balance at June 30, 2020 was comprised of approximately 24%, 25%, 26% and 25% in the short-term income, diversified bond portfolio, established market portfolio, and total market portfolio funds, respectively.

Rate of Return. For the year ended June 30, 2020, the actual annual money-weighted rate of return on investments, net of investment expense, was 2.81 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Short-term bonds	25.0%	-1.50%	-0.38%
Global bonds	25.0%	0.50%	0.13%
Moderately aggressive balanced	25.0%	4.20%	1.05%
Moderately conservative balanced	25.0%	4.85%	1.20%
	<hr/>	<hr/>	<hr/>
Inflation	100.0%		2.50%
	<hr/>	<hr/>	<hr/>
Investment rate of return			4.50%
	<hr/>	<hr/>	<hr/>

Discount Rate. The blended discount rate used to measure the total OPEB liability was 2.71%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be exhausted in the year 2029. Therefore, the discount rate represents the single equivalent rate resulting from discounting at the long-term expected rate of return on OPEB Plan investments until 2029, and discounting with the 20-year AA municipal index bond rate of 2.21% thereafter. This projection is done on a closed group basis, per GASB requirements.

Net OPEB Liability. The City's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation (using the alternative measurement method) as of June 30, 2019, using the following actuarial assumptions (which were determined by management utilizing the best information available), applied to all periods included in the measurement, unless otherwise specified:

Inflation – 2.5%

Salary increases – 2.0%

Investment rate of return – 4.5%, net of OPEB Plan investment expense, including inflation

Healthcare cost trend rates – The expected rate of increase in healthcare insurance premiums was based on projections by the City's management. A rate of 5.0% was used for 2020 and each year following.

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

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

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

Health insurance premiums – 2020 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

Net OPEB Liability of the City

The components of the net OPEB liability of the City at June 30, 2020, were as follows:

Total OPEB liability	\$ 138,121
Plan fiduciary net position	<u>73,541</u>
City's net OPEB liability	<u><u>\$ 64,580</u></u>

Plan fiduciary net position as a percentage of the total OPEB liability	53.2%
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CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Changes in Net OPEB Liability

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 134,384	\$ 56,710	\$ 77,674
Changes for the year:			
Service cost	8,213	-	8,213
Interest	3,638	-	3,638
Differences between expected and actual experience	(4,771)	-	(4,771)
Employer contributions	-	18,343	(18,343)
Net investment income	-	1,951	(1,951)
Benefit payments, including refunds of employee contributions	(3,343)	(3,343)	-
Administrative expense	-	(120)	120
Net changes	<u>3,737</u>	<u>16,831</u>	<u>(13,094)</u>
Balances at June 30, 2020	\$ 138,121	\$ 73,541	\$ 64,580

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the City, calculated using the discount rate of 2.71%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.71%) or 1% higher (3.71%) than the current rate:

1% Decrease (1.71%)	Current Discount Rate (2.71%)	1% Increase (3.71%)
\$ 80,073	\$ 64,580	\$ 51,617

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

1% Decrease (4.0%)	Current Healthcare Trent Rate (5.0%)	1% Increase (6.0%)
\$ 51,025	\$ 64,580	\$ 79,549

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

For the year ended June 30, 2020, the City recognized OPEB expense of \$9,812. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 18,872	\$ 20,068	\$ (1,196)
Net difference between projected and actual earnings on OPEB plan investments	-	680	(680)
	<u>\$ 18,872</u>	<u>\$ 20,748</u>	<u>\$ (1,876)</u>

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

Year Ended June 30,	Amount
2021	\$ (420)
2022	(419)
2023	(457)
2024	(264)
2025	(220)
Thereafter	<u>(96)</u>
Total	<u><u>\$ (1,876)</u></u>

Payable to the OPEB Plan. At June 30, 2020, the City had no amounts payable for contributions to the OPEB plan.

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

15. ECONOMIC DEPENDENCY

The City's Sewer and Water funds have a significant economic dependence on a local corporation. During the year ended June 30, 2020, the corporation's billings for utilities approximated 29% of total combined billings in the Sewer and Water funds. This corporation also accounts for 25% of year-end accounts receivable.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

16. TAX ABATEMENTS

The City received reduced property tax revenues during 2020 as a result of industrial facilities tax exemptions (IFT's). The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Districts Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the county. The abatements amounted to approximately \$37,000 in reduced City tax revenues for 2020.

17. NET INVESTMENT IN CAPITAL ASSETS

The components of net investment in capital assets as of June 30, 2020, were as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,248,623	\$ 240,698
Capital assets being depreciated, net	<u>12,287,325</u>	<u>9,466,381</u>
	<u>15,535,948</u>	<u>9,707,079</u>
Related debt:		
Bonds and loan payable	300,000	-
Unamortized bond discount	<u>(1,127)</u>	<u>-</u>
	<u>298,873</u>	<u>-</u>
Net investment in capital assets	<u>\$ 15,237,075</u>	<u>\$ 9,707,079</u>

18. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the City's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the City for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the City's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREMONT, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

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

	Year Ended June 30,		
	2020	2019	2018
Total pension liability			
Service cost	\$ 181,805	\$ 172,794	\$ 171,025
Interest	1,064,790	1,006,720	980,467
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(40,422)	291,822	(115,185)
Changes in assumptions	442,434	-	-
Benefit payments, including refunds of employee contributions	(778,394)	(721,534)	(696,521)
Other changes	-	-	-
Net change in total pension liability	870,213	749,802	339,786
 Total pension liability, beginning of year	 13,608,169	 12,858,367	 12,518,581
 Total pension liability, end of year	 14,478,382	 13,608,169	 12,858,367
 Plan fiduciary net position			
Employer contributions	1,109,004	504,525	498,734
Employee contributions	21,827	21,026	18,906
Net investment income (loss)	1,010,140	(304,061)	934,658
Benefit payments, including refunds of employee contributions	(778,394)	(721,534)	(696,521)
Administrative expense	(17,438)	(15,142)	(14,800)
 Net change in plan fiduciary net position	 1,345,139	 (515,186)	 740,977
 Plan fiduciary net position, beginning of year	 7,348,333	 7,863,519	 7,122,542
 Plan fiduciary net position, end of year	 8,693,472	 7,348,333	 7,863,519
 City's net pension liability	 \$ 5,784,910	 \$ 6,259,836	 \$ 4,994,848
 Plan fiduciary net position as a percentage of total pension liability	60.0%	54.0%	61.2%
 Covered payroll	\$ 1,712,443	\$ 1,633,516	\$ 1,611,679
 City's net pension liability as a percentage of covered payroll	337.8%	383.2%	309.9%

See notes to required supplementary information.

Year Ended June 30,		
2017	2016	2015

\$ 158,884	\$ 150,483	\$ 150,506
941,665	885,802	855,187
(9,030)	-	-
78,624	43,707	-
-	611,497	-
(679,937)	(643,796)	(625,376)
(2,967)	-	-
<u>487,239</u>	<u>1,047,693</u>	<u>380,317</u>
<u>12,031,342</u>	<u>10,983,649</u>	<u>10,603,332</u>
<u>12,518,581</u>	<u>12,031,342</u>	<u>10,983,649</u>

1,350,358	413,578	366,822
6,698	-	-
652,394	(89,378)	375,832
(679,937)	(643,796)	(625,376)
(12,907)	(13,238)	(13,755)

1,316,606	(332,834)	103,523
<u>5,805,936</u>	<u>6,138,770</u>	<u>6,035,247</u>
<u>7,122,542</u>	<u>5,805,936</u>	<u>6,138,770</u>

<u>\$ 5,396,039</u>	<u>\$ 6,225,406</u>	<u>\$ 4,844,879</u>
---------------------	---------------------	---------------------

56.9% 48.3% 55.9%

\$ 1,527,970 \$ 1,442,251 \$ 1,583,012

353.2% 431.6% 306.1%

CITY OF FREMONT, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered Payroll	Contributions as Percentage of Covered Payroll
2020	\$ 532,198	\$ 832,198	\$ 300,000	\$ 1,840,419	45.2%
2019	488,292	788,292	300,000	1,724,422	45.7%
2018	522,492	522,492	-	1,662,800	31.4%
2017	474,037	1,374,037	900,000	1,562,137	88.0%
2016	434,443	434,443	-	1,493,902	29.1%
2015	391,914	391,914	-	1,559,862	25.1%

See notes to required supplementary information.

CITY OF FREMONT, MICHIGAN

Required Supplementary Information

Single-Employer Other Postemployment Benefit Plan

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

	Year Ended June 30,			
	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 8,213	\$ 7,715	\$ 5,480	\$ 5,177
Interest	3,638	3,632	4,405	4,049
Differences between expected and actual experience	(4,771)	26,888	(25,084)	-
Benefit payments, including refunds of employee contributions	(3,343)	(2,495)	(1,596)	(1,596)
Net change in total OPEB liability	3,737	35,740	(16,795)	7,630
 Total OPEB liability, beginning of year	 134,384	 98,644	 115,439	 107,809
 Total OPEB liability, end of year	 138,121	 134,384	 98,644	 115,439
 Plan fiduciary net position				
Employer contributions	18,343	17,495	16,596	11,596
Net investment income	1,951	2,277	1,049	966
Benefit payments, including refunds of employee contributions	(3,343)	(2,495)	(1,596)	(1,596)
Administrative expense	(120)	(90)	(77)	(33)
Net change in plan fiduciary net position	16,831	17,187	15,972	10,933
 Plan fiduciary net position, beginning of year	 56,710	 39,523	 23,551	 12,618
 Plan fiduciary net position, end of year	 73,541	 56,710	 39,523	 23,551
 City's net OPEB liability	 \$ 64,580	 \$ 77,674	 \$ 59,121	 \$ 91,888
 Plan fiduciary net position as a percentage of total OPEB liability	 53.2%	 42.2%	 40.1%	 20.4%
 Covered-employee payroll	 \$ 1,712,443	 \$ 1,611,600	 \$ 1,662,787	 \$ 1,512,869
 City's net OPEB liability as a percentage of covered-employee payroll	 3.8%	 4.8%	 3.6%	 6.1%

See notes to required supplementary information.

CITY OF FREMONT, MICHIGAN

Required Supplementary Information

Single-Employer Other Postemployment Benefit Plan Schedule of Contributions

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution (Deficiency) Excess	Covered- Employee Payroll	Contributions as Percentage of Covered- Employee Payroll
2020	\$ 12,826	\$ 18,343	\$ 5,517	\$ 1,712,443	1.1%
2019	12,893	17,495	4,602	1,611,600	1.1%
2018	1,596	16,596	15,000	1,662,787	1.0%
2017	1,596	11,596	10,000	1,512,869	0.8%

See notes to required supplementary information.

CITY OF FREMONT, MICHIGAN

■ Required Supplementary Information

Single-Employer Other Postemployment Benefit Plan

Schedule of Investment Returns

Year Ended June 30,	Annual Money- Weighted Rate of Return, Net of Investment Expense
2020	2.81%
2019	5.11%
2018	3.08%
2017	7.39%

See notes to required supplementary information.

CITY OF FREMONT, MICHIGAN

Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

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

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

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

Changes in Assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing.

In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

Notes to Schedule of Contributions

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

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 (2020, based on the 12/31/2017 actuarial valuation):	
Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	10-21 years, depending on division
Asset valuation method	5-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
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

Single-Employer Other Postemployment Benefit Plan

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

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF FREMONT, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2020

	Special Revenue		Debt Service	Capital Projects
	Local Streets	Local Improvement	Construction Bond	Capital Projects
Assets				
Cash and investments	\$ 238,056	\$ 250,514	\$ 9,494	\$ 95,619
Receivables:				
Special assessments	-	75,104	-	-
Due from other governments	19,310	30,000	-	-
Total assets	\$ 257,366	\$ 355,618	\$ 9,494	\$ 95,619
Liabilities				
Account payable	\$ 1,110	\$ -	\$ -	\$ -
Accrued liabilities	267	-	-	-
Unearned revenue	-	-	-	77,000
Total liabilities	1,377	-	-	77,000
Deferred inflow of resources				
Unavailable revenue - special assessments	-	75,104	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	255,989	-	9,494	-
Committed	-	280,514	-	18,619
Total fund balances	255,989	280,514	9,494	18,619
Total liabilities, deferred inflows of resources, and fund balances	\$ 257,366	\$ 355,618	\$ 9,494	\$ 95,619

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

\$ 338,796	\$ 932,479
-	75,104
-	49,310
<hr/>	<hr/>
<u>\$ 338,796</u>	<u>\$ 1,056,893</u>

\$	-	\$ 1,110
-		267
-		77,000
<hr/>	<hr/>	<hr/>
	-	78,377

<hr/>	<hr/>
	75,104

338,796	338,796
-	265,483
-	299,133
<hr/>	<hr/>
<u>338,796</u>	<u>903,412</u>

<u>\$ 338,796</u>	<u>\$ 1,056,893</u>
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CITY OF FREMONT, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2020

	Special Revenue		Debt Service	Capital Projects
	Local Streets	Local Improvement	Construction Bond	Capital Projects
Revenues				
Special assessments	\$ -	\$ 24,069	\$ -	\$ -
Intergovernmental:				
State	182,943	-	-	7,000
Local	-	-	167,415	9,452
Charges for services	-	-	-	-
Investment earnings	2,352	4,699	72	3,724
Total revenues	185,295	28,768	167,487	20,176
Expenditures				
Current:				
Public works	239,479	-	-	-
Community and economic development	-	22,375	-	-
Debt service:				
Principal	-	-	150,000	-
Interest and fees	-	-	15,334	-
Capital outlay	-	-	-	32,356
Total expenditures	239,479	22,375	165,334	32,356
Revenues over (under) expenditures	(54,184)	6,393	2,153	(12,180)
Other financing sources				
Transfers in	90,000	-	-	-
Net change in fund balances	35,816	6,393	2,153	(12,180)
Fund balances, beginning of year	220,173	274,121	7,341	30,799
Fund balances, end of year	\$ 255,989	\$ 280,514	\$ 9,494	\$ 18,619

Permanent Cemetery Perpetual Care	Totals
\$ -	\$ 24,069
-	189,943
-	176,867
8,125	8,125
3,153	14,000
<hr/>	<hr/>
11,278	413,004
<hr/>	<hr/>
-	239,479
-	22,375
-	150,000
-	15,334
-	32,356
<hr/>	<hr/>
-	459,544
<hr/>	<hr/>
11,278	(46,540)
<hr/>	<hr/>
-	90,000
<hr/>	<hr/>
11,278	43,460
<hr/>	<hr/>
327,518	859,952
<hr/>	<hr/>
\$ 338,796	\$ 903,412
<hr/>	<hr/>

CITY OF FREMONT, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Local Streets Special Revenue Fund For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 172,000	\$ 172,000	\$ 182,943	\$ 10,943
Investment earnings	1,500	1,500	2,352	852
Total revenues	173,500	173,500	185,295	11,795
Expenditures				
Current:				
Public works:				
Routine maintenance	317,989	211,224	222,387	11,163
Traffic services	2,315	2,315	876	(1,439)
Snow & ice control	24,150	24,150	16,216	(7,934)
Total expenditures	344,454	237,689	239,479	1,790
Other financing sources				
Transfers in	165,000	90,000	90,000	-
Net change in fund balance	(5,954)	25,811	35,816	10,005
Fund balance, beginning of year	220,173	220,173	220,173	-
Fund balance, end of year	\$ 214,219	\$ 245,984	\$ 255,989	\$ 10,005

CITY OF FREMONT, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Local Improvement Special Revenue Fund For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 35,000	\$ 35,000	\$ 24,069	\$ (10,931)
Investment earnings	4,000	4,000	4,699	699
Total revenues	39,000	39,000	28,768	(10,232)
Expenditures				
Current:				
Community and economic development	22,375	22,375	22,375	-
Net change in fund balance	16,625	16,625	6,393	(10,232)
Fund balance, beginning of year	274,121	274,121	274,121	-
Fund balance, end of year	\$ 290,746	\$ 290,746	\$ 280,514	\$ (10,232)