

**City of Fremont,
Michigan**



**Year Ended
June 30, 2021**

**Financial
Statements**

Rehmann

CITY OF FREMONT, MICHIGAN

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CITY OF FREMONT, MICHIGAN

Elected and Appointed Officials

For the Year Ended June 30, 2021

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

October 5, 2021

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, 2021, 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.

Rehmann is an independent member of Nexia International.



📍 570 Seminole Rd., Suite 200, Muskegon, MI 49444 ☎ 231.739.9441

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund of the City 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 plan, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Rehmann Johnson LLC

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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, 2021. 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	\$ 23,992,353
· Change in total net position	31,860
· Fund balance, governmental funds	2,096,825
· Change in fund balance, governmental funds	350,431
· Unassigned fund balance, general fund	607,254
· Change in fund balance, general fund	19,508

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 Fund, which is considered to be a major fund. 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 plan 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, 2021, the City's net position from governmental activities totaled \$13,571,474 and \$10,420,879 from business-type activities, for a government-wide net position total of \$23,992,353.

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 \$2,302,127.

Governmental activities current and other assets increased by \$284,738, mainly due to an increase in cash balances within the major streets fund, which is included in the governmental activities. The increase in cash balance is related to a decrease in construction activity for the year ended June 30, 2021, compared to the prior year level. Deferred outflows increased by \$308,451, primarily attributable to deferred changes in the net pension liability.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Business-type activities 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,863,821	\$ 2,579,083	\$ 2,519,795	\$ 2,287,287	\$ 5,383,616	\$ 4,866,370
Capital assets, net	15,062,340	15,535,948	9,461,570	9,707,079	24,523,910	25,243,027
Total assets	17,926,161	18,115,031	11,981,365	11,994,366	29,907,526	30,109,397
Deferred outflows of resources	884,734	576,283	387,167	302,129	1,271,901	878,412
Current and other liabilities	4,180,097	4,163,482	1,747,407	2,045,525	5,927,504	6,209,007
Long-term debt	749,243	662,013	64,551	57,136	813,794	719,149
Total liabilities	4,929,340	4,825,495	1,811,958	2,102,661	6,741,298	6,928,156
Deferred inflows of resources	310,081	71,599	135,695	27,561	445,776	99,160
Net position:						
Net investment in capital assets	14,705,584	15,237,075	9,461,570	9,707,079	24,167,154	24,944,154
Restricted	1,168,017	837,295	-	-	1,168,017	837,295
Unrestricted (deficit)	(2,302,127)	(2,280,150)	959,309	459,194	(1,342,818)	(1,820,956)
Total net position	\$ 13,571,474	\$ 13,794,220	\$ 10,420,879	\$ 10,166,273	\$ 23,992,353	\$ 23,960,493

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	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 1,054,707	\$ 924,098	\$ 1,401,637	\$ 1,207,890	\$ 2,456,344	\$ 2,131,988
Operating grants and contributions	862,558	750,815	12,823	21,101	875,381	771,916
Capital grants and contributions	293,874	875,811	-	1,500	293,874	877,311
General revenues:						
Property taxes	2,226,953	2,085,897	-	-	2,226,953	2,085,897
Licenses and permits	131,705	74,355	-	-	131,705	74,355
Unrestricted grants	649,515	767,609	-	-	649,515	767,609
Gain on sale of capital assets	34,450	-	-	-	34,450	-
Unrestricted investment earnings	2,441	22,872	-	-	2,441	22,872
Miscellaneous	10,069	6,866	-	-	10,069	6,866
Total revenues	5,266,272	5,508,323	1,414,460	1,230,491	6,680,732	6,738,814
Expenses						
General government	875,246	824,731	-	-	875,246	824,731
Public safety	2,439,022	2,252,155	-	-	2,439,022	2,252,155
Public works	1,507,718	1,743,029	-	-	1,507,718	1,743,029
Community and economic development	314,172	157,303	-	-	314,172	157,303
Culture and recreation	248,324	234,023	-	-	248,324	234,023
Airport operations	91,412	122,298	-	-	91,412	122,298
Interest on long-term debt	13,124	15,117	-	-	13,124	15,117
Sewer	-	-	494,797	756,881	494,797	756,881
Water	-	-	665,057	834,330	665,057	834,330
Total expenses	5,489,018	5,348,656	1,159,854	1,591,211	6,648,872	6,939,867
Change in net position	(222,746)	159,667	254,606	(360,720)	31,860	(201,053)
Net position, beginning of year	13,794,220	13,634,553	10,166,273	10,526,993	23,960,493	24,161,546
Net position, end of year	\$ 13,571,474	\$ 13,794,220	\$ 10,420,879	\$ 10,166,273	\$ 23,992,353	\$ 23,960,493

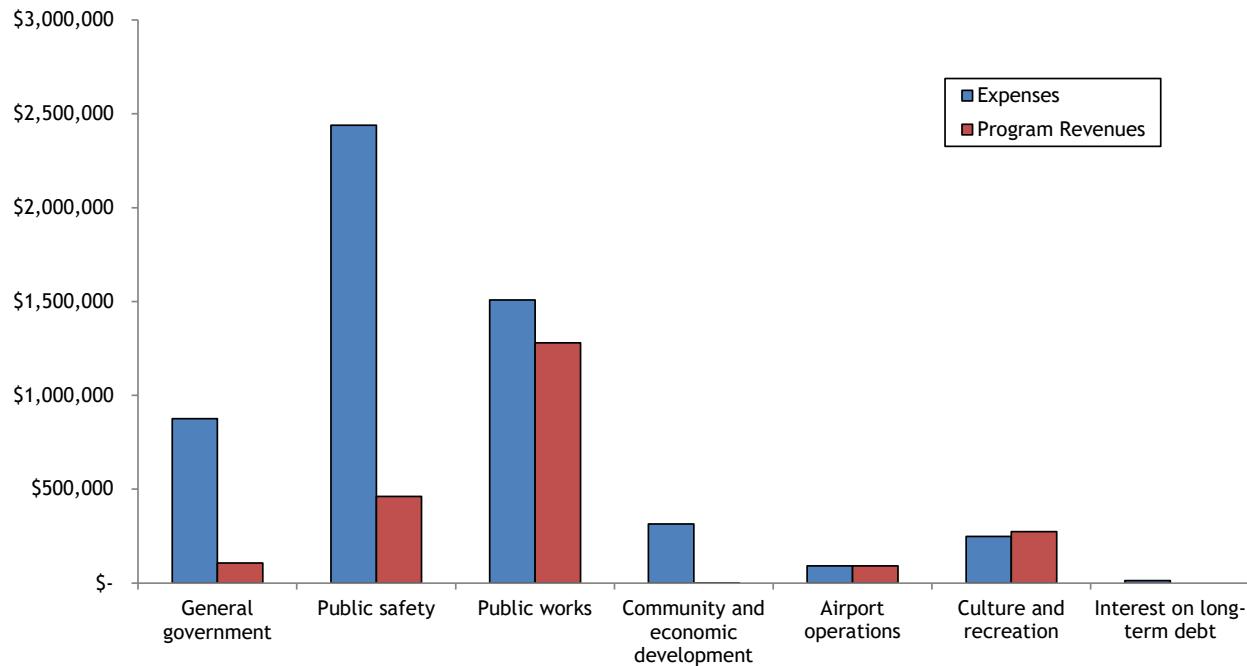
CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities decreased the City's net position by \$222,746. Key elements of this decrease are as follows:

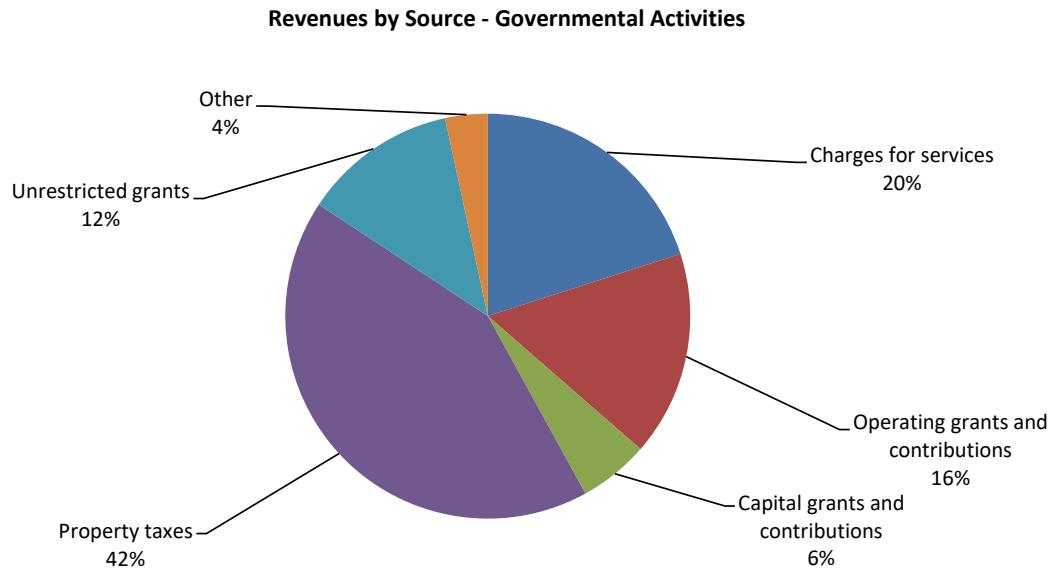
- The City's \$242,051 decrease in governmental activities revenue is mainly due to the decrease in capital grant and contribution revenue, caused by a federal grant received in the prior year for road project that was completed in that year. No similar grant was received during fiscal 2021. The decrease in federal capital grant revenue was partially offset by an increase in operating grants and contributions related to funding for costs related to the COVID-19 pandemic. Charges for services and property tax revenues also saw modest increases.
- The governmental activities experienced a modest overall increase in expenses of \$140,362, or 2.6%. Fluctuations between expense classifications largely resulted from changes in the allocation of pension liability costs between years.

Expenses and Program Revenues - Governmental Activities



CITY OF FREMONT, MICHIGAN

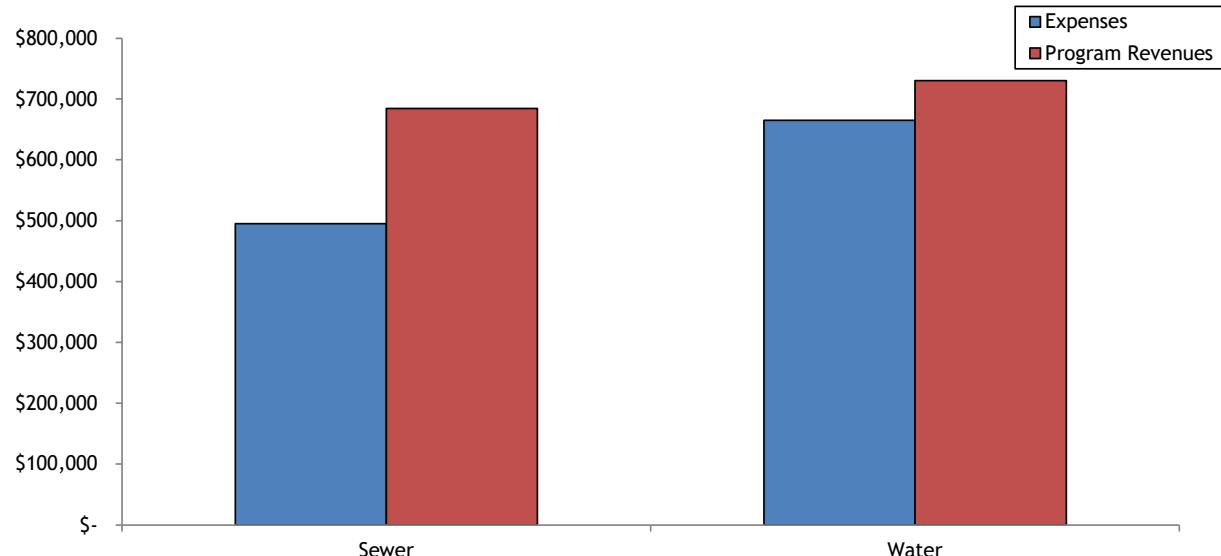
Management's Discussion and Analysis



Business-type Activities. Business-type activities increased the City's net position by \$254,606. Key elements of this increase are as follows:

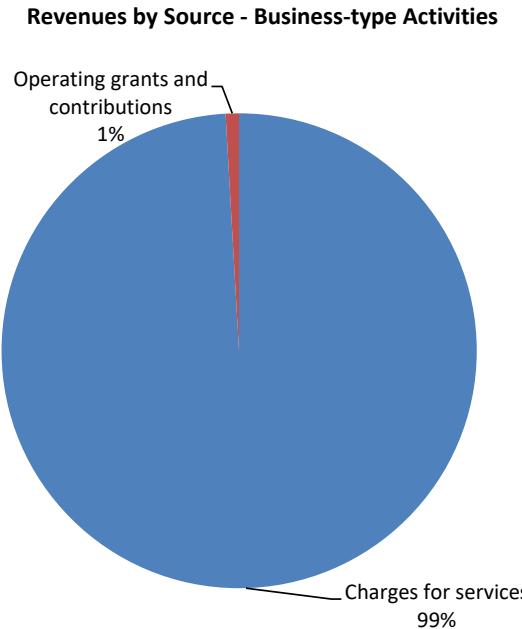
- Business-type activities charges for services revenues increased by \$193,747, or 16.0%, mainly due to the City's one-time increase in water and sewer use fees in 2020.
- Business-type activities expenses decreased by \$431,357, mainly due to decreases in the business-type activities' share of the net pension liability and related deferrals.

Expenses and Program Revenues - Business-type Activities



CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis



Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances 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 2021 fiscal year, the governmental funds reported a combined fund balance of \$2,096,825. Of this number, \$607,254 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 \$627,539, an increase of \$19,508 (3.2%) from fiscal year 2019/20. The health of the General Fund may be measured by the ratio of General Fund fund balance to annual General Fund expenditures. Total General Fund fund balance on June 30, 2021 represents 14.8% of the general fund expenditures and transfers out.

Overall and in comparison to the previous year, General Fund revenues increased by \$288,449 and expenditures increased by \$72,162. The expenditures increase was fairly evenly spread across functions and likely due to overall inflation. Significant revenue fluctuations were as follows:

- License and permit revenue increased by \$57,350, primarily due to the construction of a new 150,000 square foot Meijer shopping store in the 425 Agreement area at the west end of town.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

- Federal intergovernmental revenue increased by \$91,326, as a result of the Cares Act distributing over \$121,000 in grant funding as reimbursement for COVID-related expenditures and operations of emergency personnel.
- State intergovernmental revenue decreased by \$126,264, mainly due to the State's phasing out of personal property tax reimbursement distributions to municipal governments. The State initially made communities whole when the phasing out and elimination of personal property taxes took place, but starting last year reimbursement amounts will decrease proportionately over the next few years until gone. The City received \$175,878 less than the previous year.
- Charges for services revenue increased by \$142,400, primarily due to the City billing the participating townships for the Fire Department's purchase of SCBA gear (\$160,000) in fiscal year 2019/20, whereas the City bills the townships the year after to help with their budgeting. Unfortunately, the Department was unsuccessful in receiving grant funding to address recent federal requirements of this gear for emergency personnel.

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, 2021, net position of the Sewer Fund increased by \$189,407 and net position of the Water Fund increased by \$65,199.

The Sewer Fund experienced a 15.6% increase in revenues and a 34.7% decrease in expenses, ending with an increase in fund net position. The decrease in expenses is mostly due to changes in the net pension liability and related deferred amounts. 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 \$871,734. The Water Fund experienced an increase in net position of \$65,199 as result of decreased expenses related to the net pension liability and related deferred amounts.

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.

General Fund Budgetary Highlights

At various times throughout any budget year, budget amendments are needed to reflect changing financial conditions and changes to financial policy. The most significant of this year's general fund budget amendments were:

- The budget for licenses and permits revenue was increased by \$45,800, to address the unexpected construction of the new Meijer store. Projects like this are typically not anticipated nor budgeted for.
- The federal revenue budget was increased by \$121,326, to accommodate the federal Cares Act funds distributed to local governments as a reimbursement for the increase in wages and supplies related to addressing the Covid pandemic.
- The state revenue budget was decreased by \$100,464, to account for the State's phasing out of personal property tax reimbursements to local governments.
- The budget for public works expenditures was increased by \$70,947, primarily due to an increase in wages and equipment rental for that department following the department's concentration of a greater workload than anticipated. Other departments experienced a corresponding decrease reflecting the shift.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

- The budget for community development expenditures was increased by \$10,900 to accommodate the City's new funding agreement with The Right Place (\$4,000) and the environmental assessment costs related to the City's purchase of 12 S. Sullivan to address blight and spur economic development by way of creating a new developable commercial space on Main Street.

There were no significant variances of final actual revenues and expenditures, when compared to the final amended budget during the year ended June 30, 2021.

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, 2021 totaled \$24,523,910 (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.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,165,185	\$ 3,133,571	\$ 240,698	\$ 240,698	\$ 3,405,883	\$ 3,374,269
Construction in progress	57,140	115,052	81,128	-	138,268	115,052
Land improvements	751,121	819,924	-	-	751,121	819,924
Buildings and improvements	879,134	1,010,567	-	-	879,134	1,010,567
Utility systems	-	-	9,045,531	9,360,380	9,045,531	9,360,380
Vehicles and equipment	1,457,950	1,126,604	94,213	106,001	1,552,163	1,232,605
Infrastructure	8,751,810	9,330,230	-	-	8,751,810	9,330,230
Total capital assets, net	\$ 15,062,340	\$ 15,535,948	\$ 9,461,570	\$ 9,707,079	\$ 24,523,910	\$ 25,243,027

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

Long-term Debt. As of June 30, 2021, the City had outstanding long-term liabilities of \$813,794 consisting of a general obligation bond, an unamortized discount related to those bonds, an installment purchase agreement, and compensated absences (accrued sick and vacation pay). The long-term liabilities increased by \$94,645 primarily due the new installment purchase agreement, offset by current year repayments.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ 150,000	\$ 300,000	\$ -	\$ -	\$ 150,000	\$ 300,000
Installment purchase agreement	207,132	-	-	-	207,132	-
Unamortized discount	(376)	(1,127)	-	-	(376)	(1,127)
Compensated absences	392,487	363,140	64,551	57,136	457,038	420,276
Total long-term debt	\$ 749,243	\$ 662,013	\$ 64,551	\$ 57,136	\$ 813,794	\$ 719,149

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 2021/22 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 over an additional \$700,000 in tax revenues for general operating purposes.

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

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 2021/22 actually decreased by 1.8% (\$76,991), reflecting a decrease of \$110,000 in transfers out to other funds to help cover construction projects in the Local Street Fund.

The City has been notified of its qualification for additional federal funding again this year as a result of recent legislation (American Recovery Plan Act - ARPA) resulting from the economic downturn of the COVID-19 pandemic. The City could receive up to \$405,000 to be used mainly for capital infrastructure projects, which are expected to spur the economies throughout the nation.

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 anticipates construction to begin spring 2022, but the State's Department of Environment (EGLE) review and approval process could delay the overall project. Improvements to the Wastewater Lagoon Treatment System are estimated to cost up to \$7.5 million, of which the City anticipates the letting of municipal obligation bonds.

The City budgeted more conservatively again this year, acknowledging decreases or flatness in some state revenues due to continuation of the pandemic, 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, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 2,479,067	\$ 2,110,020	\$ 4,589,087	\$ 98,511
Receivables	364,469	403,189	767,658	37,894
Prepaid items	20,285	6,586	26,871	-
Capital assets not being depreciated	3,222,325	321,826	3,544,151	-
Capital assets being depreciated, net	<u>11,840,015</u>	<u>9,139,744</u>	<u>20,979,759</u>	-
Total assets	<u>17,926,161</u>	<u>11,981,365</u>	<u>29,907,526</u>	<u>136,405</u>
Deferred outflows of resources				
Deferred pension amounts	<u>884,734</u>	<u>387,167</u>	<u>1,271,901</u>	-
Liabilities				
Accounts payable and accrued liabilities	96,224	16,764	112,988	7,125
Unearned revenue	129,092	-	129,092	-
Long-term debt:				
Due within one year	295,531	64,551	360,082	-
Due in more than one year	453,712	-	453,712	-
Net pension liability (due in more than one year)	<u>3,954,781</u>	<u>1,730,643</u>	<u>5,685,424</u>	-
Total liabilities	<u>4,929,340</u>	<u>1,811,958</u>	<u>6,741,298</u>	<u>7,125</u>
Deferred inflows of resources				
Deferred pension amounts	<u>310,081</u>	<u>135,695</u>	<u>445,776</u>	-
Net position				
Net investment in capital assets	14,705,584	9,461,570	24,167,154	-
Restricted for:				
Streets and highways	817,314	-	817,314	-
Debt service	8,561	-	8,561	-
Perpetual care (non-expendable)	342,142	-	342,142	-
Unrestricted (deficit)	<u>(2,302,127)</u>	<u>959,309</u>	<u>(1,342,818)</u>	<u>129,280</u>
Total net position	<u>\$ 13,571,474</u>	<u>\$ 10,420,879</u>	<u>\$ 23,992,353</u>	<u>\$ 129,280</u>

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, 2021

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	\$ 875,246	\$ 95,760	\$ 11,029	\$ -	\$ (768,457)
Public safety	2,439,022	309,719	151,012	-	(1,978,291)
Public works	1,507,718	308,981	700,517	270,159	(228,061)
Community and economic development	314,172	30	-	-	(314,142)
Culture and recreation	248,324	249,675	-	23,715	25,066
Airport operations	91,412	90,542	-	-	(870)
Interest on long-term debt	13,124	-	-	-	(13,124)
Total governmental activities	<u>5,489,018</u>	<u>1,054,707</u>	<u>862,558</u>	<u>293,874</u>	<u>(3,277,879)</u>
Business-type activities:					
Sewer	494,797	679,325	4,879	-	189,407
Water	665,057	722,312	7,944	-	65,199
Total business-type activities	<u>1,159,854</u>	<u>1,401,637</u>	<u>12,823</u>	<u>-</u>	<u>254,606</u>
Total primary government	<u>\$ 6,648,872</u>	<u>\$ 2,456,344</u>	<u>\$ 875,381</u>	<u>\$ 293,874</u>	<u>\$ (3,023,273)</u>
Component units					
Downtown Development Authority	\$ 367,102	\$ 25,155	\$ 14,040	\$ -	\$ (327,907)
Local Development Finance Authority	26,313	-	-	-	(26,313)
Fremont Community Joint Planning Commission	17,877	10,645	9,105	-	1,873
Total component units	<u>\$ 411,292</u>	<u>\$ 35,800</u>	<u>\$ 23,145</u>	<u>\$ -</u>	<u>\$ (352,347)</u>

continued...

CITY OF FREMONT, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2021

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position				
Net (expense) revenue	\$ (3,277,879)	\$ 254,606	\$ (3,023,273)	\$ (352,347)
General revenues:				
Property taxes	2,226,953	-	2,226,953	354,127
Licenses and permits	131,705	-	131,705	-
Grants and contributions not restricted to specific programs	649,515	-	649,515	-
Gain on sale of capital assets	34,450	-	34,450	-
Unrestricted investment earnings	2,441	-	2,441	1,169
Miscellaneous	10,069	-	10,069	25
Total general revenues	3,055,133	-	3,055,133	355,321
Change in net position	(222,746)	254,606	31,860	2,974
Net position, beginning of year	13,794,220	10,166,273	23,960,493	126,306
Net position, end of year	<u>\$ 13,571,474</u>	<u>\$ 10,420,879</u>	<u>\$ 23,992,353</u>	<u>\$ 129,280</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, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Pooled cash and investments	\$ 596,396	\$ 1,375,957	\$ 1,972,353
Receivables:			
Accounts	117,047	-	117,047
Special assessments	-	40,994	40,994
Due from other governments	88,475	117,953	206,428
Prepaid items	20,285	-	20,285
Total assets	<u>\$ 822,203</u>	<u>\$ 1,534,904</u>	<u>\$ 2,357,107</u>
Liabilities			
Accounts payable	\$ 67,894	\$ -	\$ 67,894
Accrued liabilities	21,338	964	22,302
Unearned revenue	105,432	23,660	129,092
Total liabilities	<u>194,664</u>	<u>24,624</u>	<u>219,288</u>
Deferred inflows of resources			
Unavailable revenue - special assessments	-	40,994	40,994
Fund balances			
Nonspendable	20,285	342,142	362,427
Restricted	-	826,843	826,843
Committed	-	300,301	300,301
Unassigned	607,254	-	607,254
Total fund balances	<u>627,539</u>	<u>1,469,286</u>	<u>2,096,825</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 822,203</u>	<u>\$ 1,534,904</u>	<u>\$ 2,357,107</u>

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, 2021

Fund balances - total governmental funds	\$ 2,096,825
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	3,222,325
Capital assets being depreciated, net	11,840,015
Less: capital assets being accounted for in internal service funds	(1,589,231)
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.	40,994
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	1,883,753
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Bond payable and unamortized discount	(149,624)
Compensated absences payable	(392,487)
Accrued interest on bonds payable	(968)
Certain pension amounts, such as the net pension 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	(3,954,781)
Deferred outflows related to the net pension liability	884,734
Deferred inflows related to the net pension liability	<u>(310,081)</u>
Net position of governmental activities	<u>\$ 13,571,474</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 2,226,953	\$ -	\$ 2,226,953
Special assessments	-	72,766	72,766
Licenses and permits	131,705	-	131,705
Intergovernmental:			
Federal	121,326	-	121,326
State	649,515	688,040	1,337,555
Local	5,000	231,503	236,503
Charges for services	1,017,693	31,293	1,048,986
Fines and forfeitures	5,721	-	5,721
Investment earnings	2,441	14,393	16,834
Other	63,470	-	63,470
Total revenues	4,223,824	1,037,995	5,261,819
Expenditures			
Current:			
General government	598,918	-	598,918
Public safety	1,542,622	-	1,542,622
Public works	774,182	493,202	1,267,384
Community and economic development	148,705	88,440	237,145
Culture and recreation	157,383	-	157,383
Airport operations	88,186	-	88,186
Other governmental functions	788,315	-	788,315
Debt service:			
Principal	-	150,000	150,000
Interest and fees	-	9,522	9,522
Capital outlay	-	94,350	94,350
Total expenditures	4,098,311	835,514	4,933,825
Revenues over expenditures	125,513	202,481	327,994
Other financing sources (uses)			
Proceeds from sales of capital assets	22,437	-	22,437
Transfers in	16,558	245,000	261,558
Transfers out	(145,000)	(116,558)	(261,558)
Total other financing sources (uses)	(106,005)	128,442	22,437
Net change in fund balances	19,508	330,923	350,431
Fund balances, beginning of year	608,031	1,138,363	1,746,394
Fund balances, end of year	\$ 627,539	\$ 1,469,286	\$ 2,096,825

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, 2021

Net change in fund balances - total governmental funds	\$ 350,431
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	894,861
Less: purchase/construction of capital assets being accounted for in internal service funds	(417,627)
Depreciation expense	(1,336,898)
Less: depreciation expense being accounted for in internal service funds	208,133
Proceeds from sale of capital assets	(22,437)
Loss on sale of capital assets	(9,134)
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	57,139
Investment income from governmental activities internal service funds	4,113
Gain on sale of capital assets accounted for in internal service funds	34,450
Interest expense from governmental activities internal service funds	(3,818)
Governmental funds recognize special assessments as revenue as they become current; however, they are recognized in full when levied in the statement of activities.	
Change in special assessment revenue	(34,110)
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	(135,174)
Change in the net other postemployment benefits liability and related deferred amounts	66,456
Change in compensated absences	(29,347)
Amortization of bond discount	(751)
Change in accrued interest payable	967
Change in net position of governmental activities	<u>\$ (222,746)</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 2,212,793	\$ 2,228,118	\$ 2,226,953	\$ (1,165)
Licenses and permits	83,250	129,050	131,705	2,655
Intergovernmental:				
Federal	-	121,326	121,326	-
State	708,800	608,336	649,515	41,179
Local	5,000	5,000	5,000	-
Charges for services	948,600	1,009,895	1,017,693	7,798
Fines and forfeitures	8,000	8,000	5,721	(2,279)
Investment earnings	20,000	20,000	2,441	(17,559)
Other	60,250	52,950	63,470	10,520
Total revenues	4,046,693	4,182,675	4,223,824	41,149
Expenditures				
Current:				
General government:				
Legislative	12,945	14,245	13,339	(906)
Executive	89,120	92,145	91,325	(820)
Elections	3,585	5,930	5,793	(137)
General administration	5,000	5,000	720	(4,280)
Clerk	83,697	88,297	86,413	(1,884)
Treasurer	43,805	43,805	42,344	(1,461)
Assessor	46,470	46,470	42,076	(4,394)
Cemetery	127,170	157,728	162,269	4,541
Attorney	30,000	20,000	17,854	(2,146)
Building and grounds	108,095	134,700	117,626	(17,074)
Public relations	39,350	18,875	19,159	284
Total general government	589,237	627,195	598,918	(28,277)
Public safety:				
Police department	1,186,690	1,180,140	1,186,386	6,246
Fire department	393,680	348,550	356,236	7,686
Total public safety	1,580,370	1,528,690	1,542,622	13,932
Public works:				
Department of public works	387,906	448,160	442,062	(6,098)
Refuse and recycling	289,675	291,175	295,838	4,663
Yard waste	27,097	36,290	36,282	(8)
Total public works	704,678	775,625	774,182	(1,443)

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (continued):				
Community and economic development:				
Planning and zoning	\$ 88,725	\$ 120,145	\$ 118,618	\$ (1,527)
Community development	19,530	30,430	30,087	(343)
Total community and economic development	108,255	150,575	148,705	(1,870)
Culture and recreation:				
Parks and recreation	153,371	152,820	157,383	4,563
Airport operations	137,618	113,815	88,186	(25,629)
Other governmental functions:				
Employee fringe benefits and other items	732,835	788,641	788,033	(608)
Tax tribunal refunds	2,500	2,500	282	(2,218)
Total other governmental functions	735,335	791,141	788,315	(2,826)
Total expenditures	4,008,864	4,139,861	4,098,311	(41,550)
Revenues over expenditures	37,829	42,814	125,513	82,699
Other financing sources (uses)				
Proceeds from sales of capital assets	-	22,437	22,437	-
Transfers in	-	-	16,558	16,558
Transfers out	(160,000)	(160,000)	(145,000)	(15,000)
Total other financing sources (uses)	(160,000)	(137,563)	(106,005)	31,558
Net change in fund balance	(122,171)	(94,749)	19,508	114,257
Fund balance, beginning of year	608,031	608,031	608,031	-
Fund balance, end of year	\$ 485,860	\$ 513,282	\$ 627,539	\$ 114,257

concluded

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

CITY OF FREMONT, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Assets				
Current assets:				
Pooled cash and investments	\$ 871,734	\$ 1,238,286	\$ 2,110,020	\$ 506,714
Accounts receivable	204,032	199,157	403,189	-
Prepaid items	2,793	3,793	6,586	-
Total current assets	<u>1,078,559</u>	<u>1,441,236</u>	<u>2,519,795</u>	<u>506,714</u>
Noncurrent assets:				
Capital assets, net:				
Land	228,972	11,726	240,698	-
Buildings	-	-	-	632,455
Utility systems	10,951,310	8,375,709	19,327,019	-
Equipment	205,389	87,466	292,855	3,983,308
Construction in progress	81,128	-	81,128	-
Accumulated depreciation	(6,991,556)	(3,488,574)	(10,480,130)	(3,026,532)
Total noncurrent assets	<u>4,475,243</u>	<u>4,986,327</u>	<u>9,461,570</u>	<u>1,589,231</u>
Total assets	<u>5,553,802</u>	<u>6,427,563</u>	<u>11,981,365</u>	<u>2,095,945</u>
Deferred outflows of resources				
Deferred pension amounts	<u>180,483</u>	<u>206,684</u>	<u>387,167</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	4,057	6,824	10,881	857
Accrued liabilities	2,597	3,286	5,883	385
Accrued interest payable	-	-	-	3,818
Current portion of long term debt	29,778	34,773	64,551	66,907
Total current liabilities	<u>36,432</u>	<u>44,883</u>	<u>81,315</u>	<u>71,967</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	-	-	-	140,225
Net pension liability	806,762	923,881	1,730,643	-
Total noncurrent liabilities	<u>806,762</u>	<u>923,881</u>	<u>1,730,643</u>	<u>140,225</u>
Total liabilities	<u>843,194</u>	<u>968,764</u>	<u>1,811,958</u>	<u>212,192</u>
Deferred inflows of resources				
Deferred pension amounts	<u>63,256</u>	<u>72,439</u>	<u>135,695</u>	<u>-</u>
Net position				
Net investment in capital assets	4,475,243	4,986,327	9,461,570	1,382,099
Unrestricted	<u>352,592</u>	<u>606,717</u>	<u>959,309</u>	<u>501,654</u>
Total net position	<u>\$ 4,827,835</u>	<u>\$ 5,593,044</u>	<u>\$ 10,420,879</u>	<u>\$ 1,883,753</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Revenues				
Charges for services	\$ 679,325	\$ 722,312	\$ 1,401,637	\$ 476,256
Operating expenses				
Administration	(41,147)	62,250	21,103	64,980
Operations	339,445	440,874	780,319	146,004
Depreciation	196,499	161,933	358,432	208,133
Total operating expenses	494,797	665,057	1,159,854	419,117
Operating income	184,528	57,255	241,783	57,139
Nonoperating revenues (expenses)				
Investment income	4,879	7,944	12,823	4,113
Gain on sale of capital assets	-	-	-	34,450
Interest expense	-	-	-	(3,818)
Total nonoperating revenues	4,879	7,944	12,823	34,745
Change in net position	189,407	65,199	254,606	91,884
Net position, beginning of year	4,638,428	5,527,845	10,166,273	1,791,869
Net position, end of year	\$ 4,827,835	\$ 5,593,044	\$ 10,420,879	\$ 1,883,753

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, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Sewer		Water	Total	Internal Service Fund
Cash flows from operating activities					
Receipts from customers	\$ 664,120	\$ 706,288	\$ 1,370,408	\$ -	-
Receipts from interfund services provided	-	-	-	-	476,256
Payments to and refunds received from suppliers	(98,104)	(157,706)	(255,810)	(147,003)	
Payments to or on behalf of employees	(340,389)	(422,448)	(762,837)	(65,112)	
Payments for interfund services used	(28,501)	(28,467)	(56,968)	-	
Net cash provided by operating activities	197,126	97,667	294,793	264,141	
Cash flows from capital and related financing activities					
Proceeds from the issuance of long-term debt	-	-	-	-	207,132
Purchase of capital assets	(112,923)	-	(112,923)	(417,627)	
Proceeds from sales of capital assets	-	-	-	-	34,450
Net cash used in capital and related financing activities	(112,923)	-	(112,923)	(176,045)	
Cash flows from investing activities					
Interest received	4,879	7,944	12,823	4,113	
Net change in pooled cash and investments	89,082	105,611	194,693	92,209	
Pooled cash and investments, beginning of year	782,652	1,132,675	1,915,327	414,505	
Pooled cash and investments, end of year	\$ 871,734	\$ 1,238,286	\$ 2,110,020	\$ 506,714	
Cash flows from operating activities					
Operating income	\$ 184,528	\$ 57,255	\$ 241,783	\$ 57,139	
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	196,499	161,933	358,432	208,133	
Changes in assets, deferred outflows/inflows of resources, and liabilities that provided (used) cash:					
Accounts receivable	(15,205)	(16,024)	(31,229)	-	
Prepaid items	(2,793)	(3,793)	(6,586)	-	
Accounts payable	(475)	2,929	2,454	(999)	
Accrued liabilities	934	1,247	2,181	(132)	
Compensated absences	(251)	7,666	7,415	-	
Net pension liability	(182,458)	(120,295)	(302,753)	-	
Deferred outflows for pension	(33,501)	(51,537)	(85,038)	-	
Deferred inflows for pension	49,848	58,286	108,134	-	
Net cash provided by operating activities	\$ 197,126	\$ 97,667	\$ 294,793	\$ 264,141	

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, 2021

	Custodial Fund	Other Post-Employment Benefits Trust
Assets		
Pooled cash and investments	\$ 118,001	\$ -
Investments - MERS total market portfolio	-	99,171
Receivables	2,860	-
Total assets	120,861	99,171
Liabilities		
Undistributed receipts	120,861	-
Net position		
Restricted for:		
Other postemployment benefits	\$ -	\$ 99,171

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

CITY OF FREMONT, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2021

	Custodial Fund	Other Post-Employment Benefits Trust
Additions		
Property taxes collected for other governmental units	\$ 6,229,916	\$ -
Employer contributions	-	15,000
Investment earnings	-	10,788
Total additions	<u>6,229,916</u>	<u>25,788</u>
Deductions		
Property taxes distributed to other governmental units	6,229,916	-
Administrative expenses	-	158
Total deductions	<u>6,229,916</u>	<u>158</u>
Change in net position		
Net position, beginning of year	-	25,630
	<u>-</u>	<u>73,541</u>
Net position, end of year	<u><u>\$ -</u></u>	<u><u>\$ 99,171</u></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, 2021

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Assets				
Cash and investments	\$ 86,186	\$ 4,771	\$ 7,554	\$ 98,511
Receivables	<u>37,894</u>	<u>-</u>	<u>-</u>	<u>37,894</u>
Total assets	124,080	4,771	7,554	136,405
Liabilities				
Accounts payable and accrued liabilities	<u>7,125</u>	<u>-</u>	<u>-</u>	<u>7,125</u>
Net position				
Unrestricted	<u>\$ 116,955</u>	<u>\$ 4,771</u>	<u>\$ 7,554</u>	<u>\$ 129,280</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, 2021

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Expenses				
Downtown Development Authority	\$ 367,102	\$ -	\$ -	\$ 367,102
Local Development Finance Authority	-	26,313	-	26,313
Fremont Community Joint Planning Commission	-	-	17,877	17,877
Total expenses	367,102	26,313	17,877	411,292
Program revenues				
Charges for services	25,155	-	10,645	35,800
Operating grants and contributions	14,040	-	9,105	23,145
Total program revenues	39,195	-	19,750	58,945
Net (expense) revenue	(327,907)	(26,313)	1,873	(352,347)
General revenues				
Property taxes	330,387	23,740	-	354,127
Unrestricted investment earnings	1,029	67	73	1,169
Miscellaneous	25	-	-	25
Total general revenues	331,441	23,807	73	355,321
Change in net position	3,534	(2,506)	1,946	2,974
Net position, beginning of year	113,421	7,277	5,608	126,306
Net position, end of year	\$ 116,955	\$ 4,771	\$ 7,554	\$ 129,280

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

NOTES TO FINANCIAL STATEMENTS

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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.

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, 2021, was \$10,000.

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.

CITY OF FREMONT, MICHIGAN

Notes to 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. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the County pays the City, and is responsible for collecting, any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments 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 fund:

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 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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Additionally, the City reports the following fund types:

The *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.

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.

The *Custodial fund* is used to account for assets held by the City in a custodial capacity for other governments and entities. Primarily this includes undistributed collections and withholdings such as state education taxes and current property taxes.

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

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

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

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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, 2021. 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.
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."

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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.

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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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 items related to its pension plan.

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.

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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statements of net position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until a future period. 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 plan.

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 custodial fund.

Fund Equity

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

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

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Interfund Transactions

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

Pensions

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

Use of Estimates

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

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2021, 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:			
Cemetery	\$ 157,728	\$ 162,269	\$ 4,541
Public relations	18,875	19,159	284
Public safety:			
Police department	1,180,140	1,186,386	6,246
Fire department	348,550	356,236	7,686
Public works:			
Refuse and recycling	291,175	295,838	4,663
Culture and recreation:			
Parks and recreation	152,820	157,383	4,563

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2021:

	Primary Government	Component Units	Fiduciary Funds	Total
Cash and investments	\$ 4,589,087	\$ 98,511	\$ 217,172	\$ 4,904,770

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.

Cash and investments are composed of the following at June 30, 2021:

Checking/savings accounts	\$ 3,092,162
Certificates of deposit:	
Due within one year	577,172
Investments	1,234,975
Petty cash	461
Total cash and investments	\$ 4,904,770

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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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, 2021, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 1,129,358	AAAm (S&P)
Money market account	N/A	6,446	N/A
MERS total market portfolio	N/A	<u>99,171</u>	N/A
Total investments			<u>\$ 1,234,975</u>

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. The City minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City’s investment policy. As of year-end, \$2,803,481 of the City’s bank balance of \$3,836,957 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

Fair Value

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.

The City had the following recurring fair value measurements as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Money market account	\$ 6,446	\$ -	\$ -	\$ 6,446
MERS total market portfolio	<u>99,171</u>	<u>-</u>	<u>-</u>	<u>99,171</u>
Total	\$ 105,617	\$ -	\$ -	105,617

Investments carried at net asset value:

Michigan CLASS government investment pool	<u>1,129,358</u>
	<u>\$ 1,234,975</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 \$1,129,358. 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, 2021, the City's receivables consisted of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 117,047	\$ 403,189	\$ -
Special assessments	40,994	-	-
Due from other governments	206,428	-	-
Notes	-	-	37,894
Total	\$ 364,469	\$ 403,189	\$ 37,894

Of the amounts reported above, \$26,259 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, 2021, the City's accounts payable and accrued liabilities were as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 68,751	\$ 10,881	\$ 7,125
Accrued liabilities	22,687	5,883	-
Accrued interest payable	4,786	-	-
Total	\$ 96,224	\$ 16,764	\$ 7,125

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 3,133,571	\$ 63,185	\$ (31,571)	\$ -	\$ 3,165,185
Construction in progress	115,052	285,646	-	(343,558)	57,140
	<u>3,248,623</u>	<u>348,831</u>	<u>(31,571)</u>	<u>(343,558)</u>	<u>3,222,325</u>
Capital assets, being depreciated:					
Land improvements	1,863,918	16,558	-	-	1,880,476
Buildings and improvements	4,753,498	-	-	-	4,753,498
Vehicles and equipment	4,739,758	438,637	(221,680)	100,000	5,056,715
Infrastructure	23,561,584	90,835	-	243,558	23,895,977
	<u>34,918,758</u>	<u>546,030</u>	<u>(221,680)</u>	<u>343,558</u>	<u>35,586,666</u>
Less accumulated depreciation for:					
Land improvements	(1,043,994)	(85,361)	-	-	(1,129,355)
Buildings and improvements	(3,742,931)	(131,433)	-	-	(3,874,364)
Vehicles and equipment	(3,613,154)	(207,291)	221,680	-	(3,598,765)
Infrastructure	(14,231,354)	(912,813)	-	-	(15,144,167)
	<u>(22,631,433)</u>	<u>(1,336,898)</u>	<u>221,680</u>	<u>-</u>	<u>(23,746,651)</u>
Total capital assets being depreciated, net	<u>12,287,325</u>	<u>(790,868)</u>	<u>-</u>	<u>343,558</u>	<u>11,840,015</u>
Governmental activities					
capital assets, net	<u>\$ 15,535,948</u>	<u>\$ (442,037)</u>	<u>\$ (31,571)</u>	<u>\$ -</u>	<u>\$ 15,062,340</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	\$ 193,135
Public safety	497,458
Public works	310,946
Community and economic development	76,474
Culture and recreation	50,752
Depreciation charged to Internal Service Funds	<u>208,133</u>
	<u><u>\$ 1,336,898</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
Construction in progress	-	81,128	-	-	81,128
	<u>240,698</u>	<u>81,128</u>	<u>-</u>	<u>-</u>	<u>321,826</u>

Capital assets, being depreciated:

Utility systems	19,295,224	31,795	-	-	19,327,019
Equipment	292,855	-	-	-	292,855
	<u>19,588,079</u>	<u>31,795</u>	<u>-</u>	<u>-</u>	<u>19,619,874</u>

Less accumulated depreciation for:

Utility systems	(9,934,844)	(346,644)	-	-	(10,281,488)
Equipment	(186,854)	(11,788)	-	-	(198,642)
	<u>(10,121,698)</u>	<u>(358,432)</u>	<u>-</u>	<u>-</u>	<u>(10,480,130)</u>

Total capital assets
being depreciated, net

9,466,381	(326,637)	-	-	9,139,744
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Business-type activities

capital assets, net	\$ 9,707,079	\$ (245,509)	\$ -	\$ -	\$ 9,461,570
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Depreciation expense was charged to functions/programs of business-type activities as follows:

Business-type activities

Sewer	\$ 196,499
Water	<u>161,933</u>
	<u><u>\$ 358,432</u></u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

7. LONG-TERM DEBT

The following is a summary of the debt transactions for the City during the year ended June 30, 2021:

	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	\$ 300,000	\$ -	\$ (150,000)	\$ 150,000	\$ 150,000
Direct borrowings and					
direct placements:					
Fire truck installment					
purchase agreement due					
in annual installments of					
\$73,453 including					
interest at 3.16%	-\$	207,132	-\$	207,132	-\$ 66,907
Subtotal - installment debt	300,000	207,132	(150,000)	357,132	216,907
Unamortized discount	(1,127)	-	751	(376)	(376)
Compensated absences	363,140	108,388	(79,041)	392,487	79,000
Total governmental activities	<u>\$ 662,013</u>	<u>\$ 315,520</u>	<u>\$ (228,290)</u>	<u>\$ 749,243</u>	<u>\$ 295,531</u>
Business-type activities					
Compensated absences	<u>\$ 57,136</u>	<u>\$ 20,024</u>	<u>\$ (12,609)</u>	<u>\$ 64,551</u>	<u>\$ 64,551</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities				
	General Obligation Bonds			Direct Borrowings and Direct Placements	
	Principal	Interest		Principal	Interest
2022	\$ 150,000	\$ 2,903		\$ 66,907	\$ 6,545
2023	-	-		69,022	4,431
2024	-	-		71,203	2,250
	<u>\$ 150,000</u>	<u>\$ 2,903</u>		<u>\$ 207,132</u>	<u>\$ 13,226</u>

The City was in compliance in all material respects with all bond indentures at June 30, 2021.

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, 2021 is as follows:

Transfers out	Transfers In			Total
	General Fund	Nonmajor Governmental Funds		
General Fund	\$ -	\$ 145,000	\$ 145,000	
Nonmajor Governmental Funds	<u>16,558</u>	<u>100,000</u>	<u>116,558</u>	
	<u>\$ 16,558</u>	<u>\$ 245,000</u>	<u>\$ 261,558</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	Nonmajor Governmental Funds	Total
Nonspendable:			
Prepays items	\$ 20,285	-	20,285
Permanent corpus	<u>-</u>	<u>342,142</u>	<u>342,142</u>
Total nonspendable	<u>20,285</u>	<u>342,142</u>	<u>362,427</u>
Restricted:			
Highways and streets	-	817,314	817,314
Debt service	<u>-</u>	<u>9,529</u>	<u>9,529</u>
Total restricted	<u>-</u>	<u>826,843</u>	<u>826,843</u>
Committed:			
Capital projects	<u>-</u>	<u>300,301</u>	<u>300,301</u>
Unassigned	<u>607,254</u>	<u>-</u>	<u>607,254</u>
Total fund balances, governmental funds	\$ 627,539	\$ 1,469,286	\$ 2,096,825

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 \$34,659 from noncancelable operating leases for land use and hanger rental during the year ended June 30, 2021, which has been recorded as rental income. The future minimum rental income for these leases are as follows:

Year Ended June 30,	Amount
2022	\$ 34,851
2023	3,959
2024	3,959
2025	2,183
2026	2,183
2027-2031	10,915
2032-2036	9,223
2037	<u>1,337</u>
	<u>\$ 68,610</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

12. RISK MANAGEMENT

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

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally insuring certain risks and reinsurance 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 by 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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Employees Covered by Benefit Terms. At the December 31, 2020 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	<u>28</u>
 Total membership	 <u>63</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, the employer may establish contribution rates to be paid by its covered employees.

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2021:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - General	\$34,497/month	0.00%	Closed
02 - Police/Fire	\$12,713/month	3.50%	Closed
03 - Gnrl 12/12 & Pol/Fi 7/16	8.50%	0.00%	Open
20 - Pol/Fi aft 7/16	7.94%	7.00%	Open

Net Pension Liability. The City's net pension liability was measured as of December 31, 2020, 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, 2020 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 base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disables retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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>	7.25%	1.45%
	<u>100.0%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>7.60%</u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2020 was 7.6%. 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, 2019	\$ 14,478,382	\$ 8,693,472	\$ 5,784,910
Changes for the year:			
Service cost	201,583	-	201,583
Interest	1,077,328	-	1,077,328
Differences between expected and actual experience	303,294	-	303,294
Changes in assumptions	424,314	-	424,314
Employer contributions	-	876,263	(876,263)
Employee contributions	-	22,974	(22,974)
Net investment income	-	1,224,175	(1,224,175)
Benefit payments, including refunds of employee contributions	(807,602)	(807,602)	-
Administrative expense	-	(17,407)	17,407
Net changes	<u>1,198,917</u>	<u>1,298,403</u>	<u>(99,486)</u>
Balances at December 31, 2020	\$ 15,677,299	\$ 9,991,875	\$ 5,685,424

Changes in assumptions. A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

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%)
\$ 7,578,099	\$ 5,685,424	\$ 4,099,251

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, 2021, the City recognized pension expense of \$771,039. 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	\$ 359,365	\$ 47,291	\$ 312,074
Changes in assumptions	604,911	-	604,911
Net difference between projected and actual earnings on pension plan investments	-	398,485	(398,485)
	964,276	445,776	518,500
Contributions subsequent to the measurement date	307,625	-	307,625
Total	\$ 1,271,901	\$ 445,776	\$ 826,125

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, 2022. 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
2022	\$ 177,768
2023	275,324
2024	32,018
2025	<u>33,390</u>
Total	<u>\$ 518,500</u>

Payable to the Pension Plan. At June 30, 2021, 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.

During the year ended June 30, 2021, the City determined that the amounts related to the OPEB plan were not material to the financial statements, and as such no net other postemployment benefit liability and related deferred amounts have been reported.

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, 2021, the corporation's billings for utilities approximated 28% of total combined billings in the Sewer and Water funds. This corporation also accounts for 23% of year-end accounts receivable.

16. TAX ABATEMENTS

The City received reduced property tax revenues during 2021 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 \$35,000 in reduced City tax revenues for 2021.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

17. NET INVESTMENT IN CAPITAL ASSETS

The components of net investment in capital assets as of June 30, 2021, were as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,222,325	\$ 321,826
Capital assets being depreciated, net	11,840,015	9,139,744
	<hr/>	<hr/>
	15,062,340	9,461,570
Related debt:		
Bonds and loan payable	357,132	-
Unamortized bond discount	(376)	-
	<hr/>	<hr/>
	356,756	-
Net investment in capital assets	<hr/>	<hr/>
	\$ 14,705,584	\$ 9,461,570

18. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for the City as it determines the appropriate methods to provide services to its residents. At this time, management does not believe that any ongoing negative financial impact related to the pandemic would be material to the City.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREMONT, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

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

	Year Ended June 30,		
	2021	2020	2019
Total pension liability			
Service cost	\$ 201,583	\$ 181,805	\$ 172,794
Interest	1,077,328	1,064,790	1,006,720
Changes in benefit terms	-	-	-
Differences between expected and actual experience	303,294	(40,422)	291,822
Changes in assumptions	424,314	442,434	-
Benefit payments, including refunds of employee contributions	(807,602)	(778,394)	(721,534)
Other changes	-	-	-
Net change in total pension liability	1,198,917	870,213	749,802
Total pension liability, beginning of year	<u>14,478,382</u>	<u>13,608,169</u>	<u>12,858,367</u>
Total pension liability, end of year	15,677,299	14,478,382	13,608,169
Plan fiduciary net position			
Employer contributions	876,263	1,109,004	504,525
Employee contributions	22,974	21,827	21,026
Net investment income (loss)	1,224,175	1,010,140	(304,061)
Benefit payments, including refunds of employee contributions	(807,602)	(778,394)	(721,534)
Administrative expense	(17,407)	(17,438)	(15,142)
Net change in plan fiduciary net position	1,298,403	1,345,139	(515,186)
Plan fiduciary net position, beginning of year	<u>8,693,472</u>	<u>7,348,333</u>	<u>7,863,519</u>
Plan fiduciary net position, end of year	9,991,875	8,693,472	7,348,333
City's net pension liability	\$ 5,685,424	\$ 5,784,910	\$ 6,259,836
Plan fiduciary net position as a percentage of total pension liability	63.7%	60.0%	54.0%
Covered payroll	\$ 1,903,758	\$ 1,712,443	\$ 1,633,516
City's net pension liability as a percentage of covered payroll	298.6%	337.8%	383.2%

See notes to required supplementary information.

Year Ended June 30,					
	2018	2017	2016	2015	
\$	171,025	\$ 158,884	\$ 150,483	\$ 150,506	
980,467		941,665	885,802	855,187	
-		(9,030)	-	-	
(115,185)		78,624	43,707	-	
-		-	611,497	-	
(696,521)		(679,937)	(643,796)	(625,376)	
-		(2,967)	-	-	
<u>339,786</u>	<u>487,239</u>	<u>1,047,693</u>	<u>380,317</u>		
<u>12,518,581</u>	<u>12,031,342</u>	<u>10,983,649</u>	<u>10,603,332</u>		
<u>12,858,367</u>	<u>12,518,581</u>	<u>12,031,342</u>	<u>10,983,649</u>		
498,734	1,350,358	413,578	366,822		
18,906	6,698	-	-		
934,658	652,394	(89,378)	375,832		
(696,521)	(679,937)	(643,796)	(625,376)		
(14,800)	(12,907)	(13,238)	(13,755)		
<u>740,977</u>	<u>1,316,606</u>	<u>(332,834)</u>	<u>103,523</u>		
<u>7,122,542</u>	<u>5,805,936</u>	<u>6,138,770</u>	<u>6,035,247</u>		
<u>7,863,519</u>	<u>7,122,542</u>	<u>5,805,936</u>	<u>6,138,770</u>		
<u>\$ 4,994,848</u>	<u>\$ 5,396,039</u>	<u>\$ 6,225,406</u>	<u>\$ 4,844,879</u>		

61.2% 56.9% 48.3% 55.9%

\$ 1,611,679 \$ 1,527,970 \$ 1,442,251 \$ 1,583,012

309.9% 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
2021	\$ 615,521	\$ 915,521	\$ 300,000	\$ 1,897,328	48.3%
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

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 in 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 in 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%.

In 2021, amounts reported as changes in assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

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 (2021, based on the 12/31/2018 actuarial valuation):	
Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	15-20 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

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**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, 2021

	Special Revenue			Debt Service	Capital Projects
	Major Streets	Local Streets	Local Improvement	Construction Bond	Capital Projects
Assets					
Cash and investments	\$ 404,448	\$ 305,877	\$ 255,579	\$ 9,529	\$ 58,382
Receivables:					
Special assessments	-	-	40,994	-	-
Due from other governments	83,073	24,880	10,000	-	-
Total assets	\$ 487,521	\$ 330,757	\$ 306,573	\$ 9,529	\$ 58,382
Liabilities					
Accrued liabilities	\$ 567	\$ 397	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-	23,660
Total liabilities	567	397	-	-	23,660
Deferred inflow of resources					
Unavailable revenue - special assessments	-	-	40,994	-	-
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	486,954	330,360	-	9,529	-
Committed	-	-	265,579	-	34,722
Total fund balances	486,954	330,360	265,579	9,529	34,722
Total liabilities, deferred inflows of resources, and fund balances	\$ 487,521	\$ 330,757	\$ 306,573	\$ 9,529	\$ 58,382

Permanent	
Cemetery Perpetual Care	Totals

\$ 342,142 \$ 1,375,957

-	40,994
-	117,953

\$ 342,142 \$ 1,534,904

\$ -	\$ 964
-	23,660

- 24,624

- 40,994

342,142	342,142
-	826,843
-	300,301

342,142 1,469,286

\$ 342,142 \$ 1,534,904

CITY OF FREMONT, MICHIGAN

Combining Statement of Revenues, Expenditures and Change in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2021

	Special Revenue			Debt Service	Capital Projects
	Major Streets	Local Streets	Local Improvement	Construction Bond	Capital Projects
Revenues					
Special assessments	\$ -	\$ -	\$ 72,766	\$ -	\$ -
Intergovernmental:					
State	488,318	199,722	-	-	-
Local	-	-	-	159,513	71,990
Charges for services	13,305	-	-	-	-
Investment earnings	8,002	1,429	739	44	2,263
Total revenues	509,625	201,151	73,505	159,557	74,253
Expenditures					
Current:					
Public works	157,622	331,780	-	-	3,800
Community and economic development	-	-	88,440	-	-
Debt service:					
Principal	-	-	-	150,000	-
Interest and fees	-	-	-	9,522	-
Capital outlay	-	-	-	-	94,350
Total expenditures	157,622	331,780	88,440	159,522	98,150
Revenues over (under) expenditures	352,003	(130,629)	(14,935)	35	(23,897)
Other financing sources (uses)					
Transfers in	-	205,000	-	-	40,000
Transfers out	(100,000)	-	-	-	-
Total other financing sources (uses)	(100,000)	205,000	-	-	40,000
Net change in fund balances	252,003	74,371	(14,935)	35	16,103
Fund balances, beginning of year	234,951	255,989	280,514	9,494	18,619
Fund balances, end of year	\$ 486,954	\$ 330,360	\$ 265,579	\$ 9,529	\$ 34,722

Permanent	
Cemetery	
Perpetual	
Care	Totals

\$	-	\$	72,766
	-		688,040
	-		231,503
17,988			31,293
1,916			14,393
<hr/>			<hr/>
19,904			1,037,995
<hr/>			<hr/>

-	493,202
-	88,440
-	150,000
-	9,522
<hr/>	<hr/>
-	94,350
<hr/>	<hr/>
-	835,514
<hr/>	<hr/>
19,904	202,481
<hr/>	<hr/>

-	245,000
(16,558)	(116,558)
<hr/>	<hr/>
(16,558)	128,442
<hr/>	<hr/>
3,346	330,923
<hr/>	<hr/>
338,796	1,138,363
<hr/>	<hr/>
\$ 342,142	\$ 1,469,286
<hr/>	<hr/>

CITY OF FREMONT, MICHIGAN

Schedule of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - Major Streets Special Revenue Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 460,000	\$ 460,000	\$ 488,318	\$ 28,318
Charges for services	5,000	5,000	13,305	8,305
Investment earnings	4,000	4,000	8,002	4,002
Total revenues	469,000	469,000	509,625	40,625
Expenditures				
Current:				
Public works:				
Construction	45,000	43,550	37,870	(5,680)
Routine maintenance	58,295	59,320	52,361	(6,959)
Traffic services	8,950	9,375	8,853	(522)
Snow & ice control	25,535	25,535	17,869	(7,666)
Trunkline maintenance	60,000	60,000	40,669	(19,331)
Total expenditures	197,780	197,780	157,622	(40,158)
Revenues over expenditures	271,220	271,220	352,003	80,783
Other financing uses				
Transfers out	(100,000)	(100,000)	(100,000)	-
Net change in fund balance	171,220	171,220	252,003	80,783
Fund balance, beginning of year	234,951	234,951	234,951	-
Fund balance, end of year	\$ 406,171	\$ 406,171	\$ 486,954	\$ 80,783

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, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 182,000	\$ 182,000	\$ 199,722	\$ 17,722
Investment earnings	1,500	1,500	1,429	(71)
Total revenues	183,500	183,500	201,151	17,651
Expenditures				
Current:				
Public works:				
Routine maintenance	331,760	331,760	312,216	(19,544)
Traffic services	1,777	1,777	900	(877)
Snow & ice control	24,150	24,150	18,664	(5,486)
Total expenditures	357,687	357,687	331,780	(25,907)
Revenues over (under) expenditures	(174,187)	(174,187)	(130,629)	43,558
Other financing sources				
Transfers in	205,000	205,000	205,000	-
Net change in fund balance	30,813	30,813	74,371	43,558
Fund balance, beginning of year	255,989	255,989	255,989	-
Fund balance, end of year	\$ 286,802	\$ 286,802	\$ 330,360	\$ 43,558

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, 2021

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 28,000	\$ 48,000	\$ 72,766	\$ 24,766
Investment earnings	2,200	2,200	739	(1,461)
Total revenues	30,200	50,200	73,505	23,305
Expenditures				
Current:				
Community and economic development	26,770	90,055	88,440	(1,615)
Net change in fund balance	3,430	(39,855)	(14,935)	24,920
Fund balance, beginning of year	280,514	280,514	280,514	-
Fund balance, end of year	\$ 283,944	\$ 240,659	\$ 265,579	\$ 24,920