

City of Fremont,
Michigan



Year Ended
June 30, 2022

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, 2022

Elected Officials

Mayor	James Rynberg
Mayor Pro Tem	Sandy Siegel
Council Members	Bob Johnson Lola Harmon-Ramsey 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 11, 2022

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis and the schedules for the pension benefit plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 were derived from and relate 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson 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, 2022. 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	\$ 24,937,014
· Change in total net position	944,661
· Fund balance, governmental funds	2,303,906
· Change in fund balance, governmental funds	207,081
· Unassigned fund balance, general fund	558,191
· Change in fund balance, general fund	(69,348)

The City was able to maintain the same quality level of City services to its citizens with no increase in its property tax levy, nor elimination of any programs, as well as staying current on the repayment of outstanding obligations.

Overview of the Financial Statements

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

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

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

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

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

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

The Statement of Net Position and the Statement of Activities include not only the City of Fremont itself (known as the primary government), but also discretely presented component units. Component units are separate legal entities for which the City has some level of financial accountability. The City has three component units presented in a Combining Statement of Net Position and Combining Statement of Activities: the Downtown Development Authority (DDA), the Local Development Finance Authority (LDFA), and the Fremont Community Joint Planning Commission (Commission).

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

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

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

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

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

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

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis and the schedules for the MERS pension 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, 2022, the City's net position from governmental activities totaled \$14,464,084 and \$10,472,930 from business-type activities, for a government-wide net position total of \$24,937,014.

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 \$2,055,105.

Governmental activities current and other assets increased by \$862,275, mainly due to an increase in cash balances within the General and Major Street Funds, which is included in the governmental activities. The increase in the General Fund's cash balance is related to unexpended federal (ARPA) grant funds received, and the Major Streets increase was due to a delay with street construction projects for the year ended June 30, 2022.

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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 3,726,096	\$ 2,863,821	\$ 2,712,556	\$ 2,519,795	\$ 6,438,652	\$ 5,383,616
Capital assets, net	15,276,098	15,062,340	9,273,604	9,461,570	24,549,702	24,523,910
Total assets	19,002,194	17,926,161	11,986,160	11,981,365	30,988,354	29,907,526
Deferred outflows of resources	1,047,223	884,734	465,013	387,167	1,512,236	1,271,901
Current and other liabilities	4,320,269	4,180,097	1,657,739	1,747,407	5,978,008	5,927,504
Long-term debt	543,013	749,243	54,037	64,551	597,050	813,794
Total liabilities	4,863,282	4,929,340	1,711,776	1,811,958	6,575,058	6,741,298
Deferred inflows of resources	722,051	310,081	266,467	135,695	988,518	445,776
Net position:						
Net investment in capital assets	15,135,873	14,705,584	9,273,604	9,461,570	24,409,477	24,167,154
Restricted	1,383,316	1,168,017	-	-	1,383,316	1,168,017
Unrestricted (deficit)	(2,055,105)	(2,302,127)	1,199,326	959,309	(855,779)	(1,342,818)
Total net position	\$ 14,464,084	\$ 13,571,474	\$ 10,472,930	\$ 10,420,879	\$ 24,937,014	\$ 23,992,353

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	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 1,099,453	\$ 1,054,707	\$ 1,331,522	\$ 1,401,637	\$ 2,430,975	\$ 2,456,344
Operating grants and contributions	972,032	862,558	9,576	12,823	981,608	875,381
Capital grants and contributions	1,345,617	293,874	6,000	-	1,351,617	293,874
General revenues:						
Property taxes	2,165,999	2,226,953	-	-	2,165,999	2,226,953
Licenses and permits	103,448	131,705	-	-	103,448	131,705
Unrestricted grants	878,171	649,515	-	-	878,171	649,515
Gain on sale of capital assets	66,312	34,450	-	-	66,312	34,450
Unrestricted investment earnings	12,203	2,441	-	-	12,203	2,441
Miscellaneous	7,995	10,069	-	-	7,995	10,069
Total revenues	6,651,230	5,266,272	1,347,098	1,414,460	7,998,328	6,680,732
Expenses						
General government	977,752	875,246	-	-	977,752	875,246
Public safety	2,439,258	2,439,022	-	-	2,439,258	2,439,022
Public works	1,498,472	1,507,718	-	-	1,498,472	1,507,718
Community and economic development	249,669	314,172	-	-	249,669	314,172
Culture and recreation	255,999	248,324	-	-	255,999	248,324
Airport operations	179,844	91,412	-	-	179,844	91,412
Interest on long-term debt	7,626	13,124	-	-	7,626	13,124
Sewer	-	-	642,178	494,797	642,178	494,797
Water	-	-	802,869	665,057	802,869	665,057
Total expenses	5,608,620	5,489,018	1,445,047	1,159,854	7,053,667	6,648,872
Change in net position, before transfers	1,042,610	(222,746)	(97,949)	254,606	944,661	31,860
Transfers	(150,000)	-	150,000	-	-	-
Change in net position	892,610	(222,746)	52,051	254,606	944,661	31,860
Net position, beginning of year	13,571,474	13,794,220	10,420,879	10,166,273	23,992,353	23,960,493
Net position, end of year	\$ 14,464,084	\$ 13,571,474	\$ 10,472,930	\$ 10,420,879	\$ 24,937,014	\$ 23,992,353

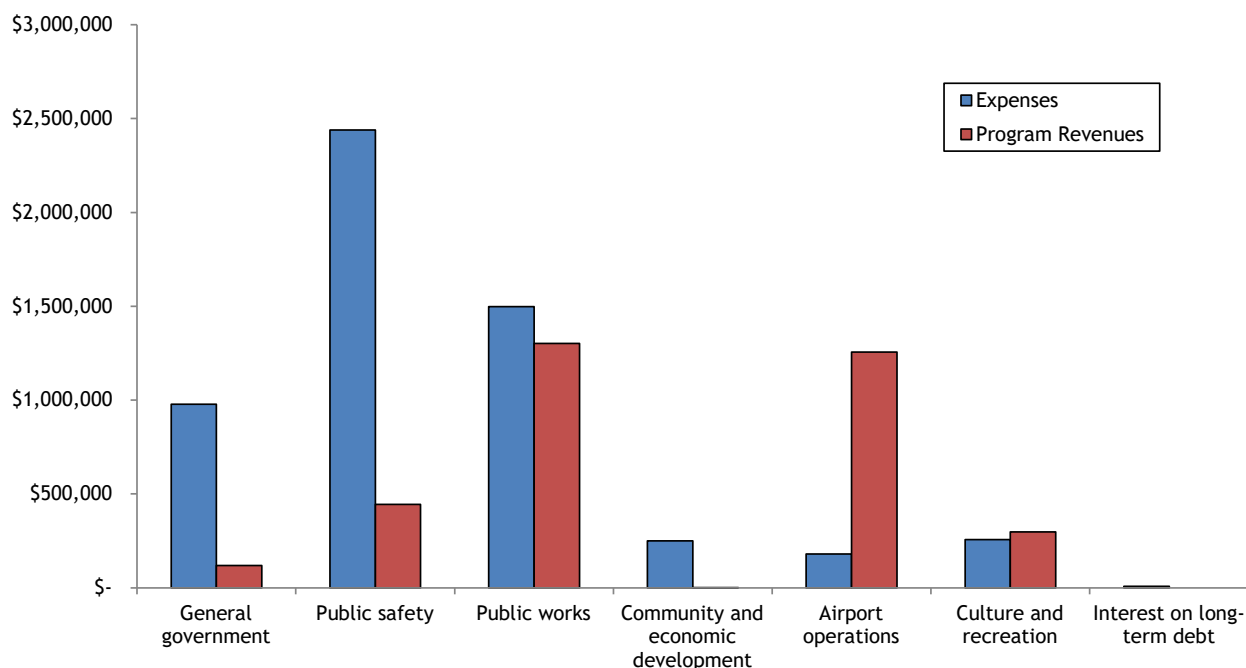
CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities increased the City's net position by \$892,610, compared to a decrease of \$222,746 from the previous fiscal year. This was the result of an increase in overall revenue, offset by a small increase in expenses and an increase in transfers from governmental activities to business-type activities.

- The City's \$1,384,958 increase in governmental activities revenue is mainly due to a significant increase in capital grants and contributions of \$1,051,743. This was the result of a federal grant, administered by the Michigan Department of Transportation, in the amount of \$1,111,085, that was used to upgrade lighting and other infrastructure at the City's airport.
- In addition to the capital grant increase, there were increases in operating grants and contributions and unrestricted grants of \$109,474 and \$228,656, respectively. The increase in restricted operating grants was due to an additional federal grant that the City received during 2022 related to the economic impact of the COVID-19 pandemic. The increase in unrestricted grants was caused by an increase in shared sales and use taxes from the State along with an increase in the revenue sharing provided by the Michigan Local Community Stabilization Authority.
- The governmental activities experienced a modest overall increase in expenses of \$119,602, or 2.2%. Fluctuations between expense classifications largely resulted from changes in the allocation of pension liability costs between years.
- Governmental activities made transfers of \$150,000 to business-type activities to help cover preliminary engineering services connected to planning for an expansion of the wastewater lagoon treatment facility. The City may offer a sale of bonds to cover costs for the estimated \$10M expansion project.

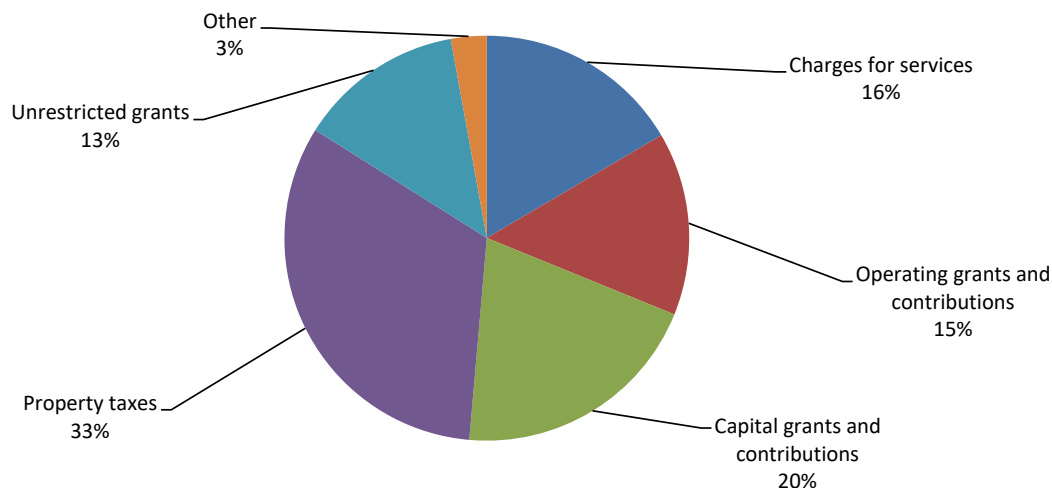
Expenses and Program Revenues - Governmental Activities



CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

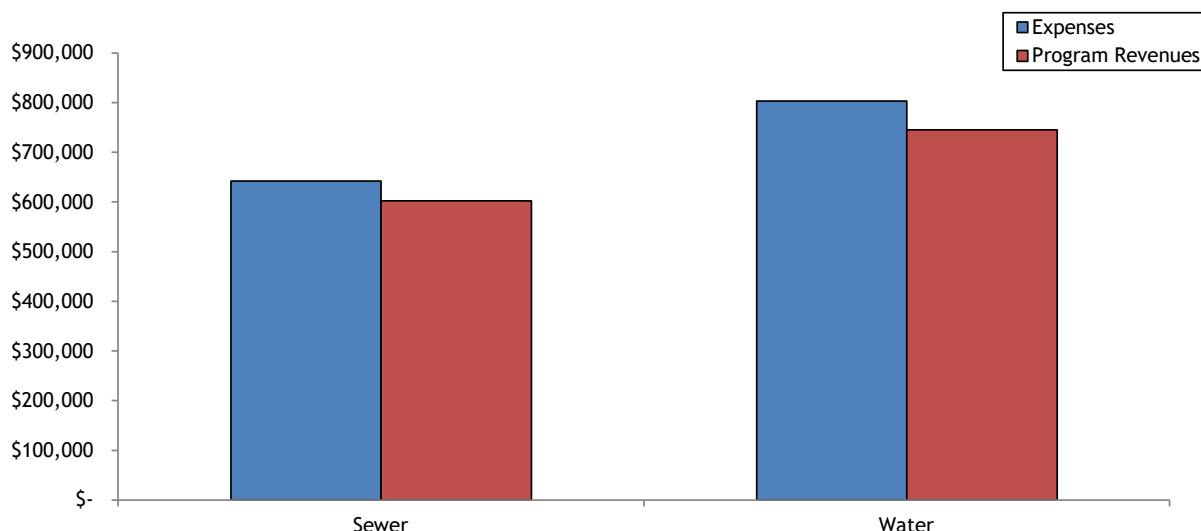
Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities increased the City's net position by \$52,051, as compared to an increase of \$254,606 from the prior fiscal year. Key elements of this change are as follows:

- Business-type activities total revenues decreased by \$67,362, or 4.8%, remaining fairly consistent with the prior year revenues.
- Business-type activities expenses increased by \$285,193, mainly due to increases in the business-type activities' share of the net pension liability and related deferrals.
- Governmental activities made transfers of \$150,000 to business-type activities to help cover preliminary engineering services connected to planning for an expansion of the wastewater lagoon treatment facility. The City may offer a sale of bonds to cover costs for the estimated \$10M expansion project.

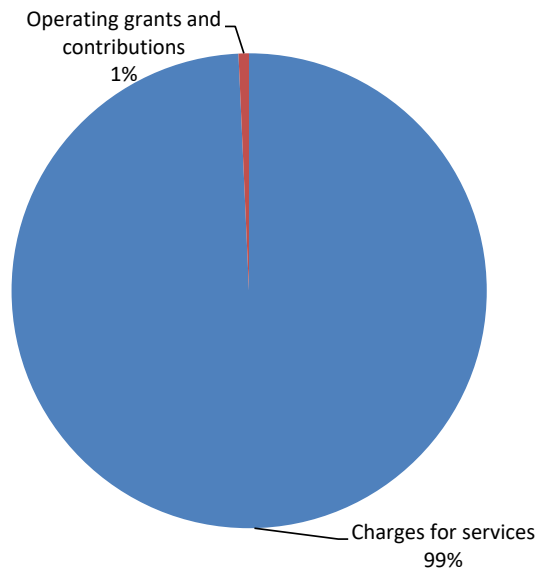
Expenses and Program Revenues - Business-type Activities



CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

At the end of the 2022 fiscal year, the governmental funds reported a combined fund balance of \$2,303,906. Of this number, \$558,191 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 \$558,191, a decrease of \$69,348 (11.1%) from fiscal year 2020-21. 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, 2022 represents 12.1% of the general fund expenditures and transfers out.

Overall and in comparison to the previous year, General Fund revenues increased by \$238,592 and expenditures increased by \$342,590. The increase in revenue was caused by the increases in grant revenue previously discussed under governmental activities analysis. Significant expenditure fluctuations were as follows:

- General government expenditures increased by \$68,448, primarily due to the purchase of two parcels of land by the general administration department and an increase in public relations expenditures. The increase in public relations costs was due to staffing the National Baby Food Festival again, whereas the Festival did not take place during the pandemic, as well as fireworks display and community holiday decorations.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

- Public Safety expenditures increased by \$87,413 as a result of wages from a retirement payout, supplies from new in-car camera systems and new tazers, and community promotions related to Shop-with-a-Cop program.
- Airport operations expenditures increased by \$104,617, mainly due to increased fuel purchase/sales (\$70,000) and payment for removal of trees lying within the fly zone.

The Major Streets Fund is the other reported major fund of the City for the year ended June 30, 2022. The fund accounts for monies that are restricted to maintaining and improving the City's major streets. The Major Streets Fund ended the year with a total fund balance of \$628,942, an increase of \$141,988 (29.2%) from fiscal year 2020-21.

Overall and in comparison to the previous year, Major Street Fund revenues increased by \$46,727 and expenditures increased by \$156,742. The increase in expenditures was caused by new construction activity in 2022 that had been postponed due to the COVID-19 pandemic.

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, 2022, net position of the Sewer Fund increased by \$109,905 and net position of the Water Fund decreased by \$57,854.

The Sewer Fund experienced a 11.9% decrease in revenues and a 29.8% increase in expenses, ending with an increase in fund net position. The increase 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 \$1,071,025. The Water Fund experienced a decrease in net position of \$57,984 as result of increased 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 ended with the current fiscal year end.

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 federal revenue budget was decreased by \$178,476 to adjust for the City's second and final ARPA payment to be distributed the following year, which ended up being distributed this fiscal year in June 2022.
- The state revenue budget was increased by \$261,836 to account for the additional State Revenue Sharing distribution made in response to increased State sales tax revenues received during the fiscal year, and from the State's Local Stabilization Fund for the City's loss of personal property tax revenue as a result of reinstituting the Renaissance Zone for Gerber Products Company.
- The budget for general government expenditures was increased by \$62,235, primarily due to increases in general administration, cemetery and building and grounds departments.
- The budget for general administration expenditures was increased by \$21,605 to accommodate the City's purchase of a couple parcels of land, with one for relocation of the city's western entryway sign and the other for a potential residential housing development.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

- The budget for cemetery expenditures was increased by \$10,250 due to salaries and equipment rental increases in relation to the maintenance seasons late fall and early spring.
- The budget for building and grounds expenditures was increased by \$17,380 as a result of increased ground maintenance wages in relation to a longer maintenance season and irrigation system repairs within the municipal building.
- The budget for public safety expenditures was increased by \$95,889 to accommodate wages in relation to restaffing the Festival and a retirement payout.

There were no significant variances of final actual expenditures, when compared to the final amended budget during the year ended June 30, 2022.

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, 2022 totaled \$23,438,417 (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	
	2022	2021	2022	2021	2022	2021
Land	\$ 3,168,703	\$ 3,165,185	\$ 240,698	\$ 240,698	\$ 3,409,401	\$ 3,405,883
Construction in progress	77,668	57,140	191,903	81,128	269,571	138,268
Land improvements	686,066	751,121	-	-	686,066	751,121
Buildings and improvements	747,702	879,134	-	-	747,702	879,134
Utility systems	-	-	8,752,681	9,045,531	8,752,681	9,045,531
Vehicles and equipment	1,282,899	1,457,950	88,322	94,213	1,371,221	1,552,163
Infrastructure	9,313,060	8,751,810	-	-	9,313,060	8,751,810
Total capital assets, net	\$ 15,276,098	\$ 15,062,340	\$ 9,273,604	\$ 9,461,570	\$ 24,549,702	\$ 24,523,910

Current year additions for governmental activities included upgrade lighting and other infrastructure at the City's airport.

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

Long-term Debt. As of June 30, 2022, the City had outstanding long-term debt of \$597,050 consisting of an installment purchase agreement and compensated absences (accrued sick and vacation pay). Long-term debt balances decreased by \$216,744 primarily due to current year repayments.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ 150,000
Installment purchase agreement	140,225	207,132	-	-	140,225	207,132
Unamortized discount	-	(376)	-	-	-	(376)
Compensated absences	402,788	392,487	54,037	64,551	456,825	457,038
Total long-term debt	\$ 543,013	\$ 749,243	\$ 54,037	\$ 64,551	\$ 597,050	\$ 813,794

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

Economic Factors and Next Year's Budget and Rates

The General Fund operating budget for fiscal year 2022/23 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 2022/23 actually increased by 2.2% (\$102,589), reflecting an increase of: \$40,485 in transfers out to other funds to help cover construction projects in the Local Street and Capital Projects Fund; \$48,300 for planned HVAC repairs within the municipal building; and to accommodate cost of living adjustments in wages throughout administrative services.

The City was awarded additional federal funding 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 received \$427,903 to be used mainly for capital infrastructure projects and reimbursement for loss revenues during the pandemic. The City's first expense of said funds entailed a transfer of \$150,000 to the Sewer Fund to help cover preliminary engineering costs related to the planning expansion of the City's Wastewater Lagoon Treatment Facility. Additional transfers are planned to help fund the City's new Branstrom Warming Lodge and Ice Rink Roof and construction of a new Splash Pad at Fremont Lake Park.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

The City contracted 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 received approval from the State's Department of Environment (EGLE) and anticipates construction to begin spring 2023. Improvements to the Wastewater Lagoon Treatment System are estimated to cost up to \$10 million, of which the City anticipates the letting of municipal bonds or approval of a low-interest loan from USDA Rural Development.

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 citymanager@fremontmi.gov.

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BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, MICHIGAN

Statement of Net Position

June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 3,298,288	\$ 2,354,603	\$ 5,652,891	\$ 136,217
Receivables	427,808	357,953	785,761	26,018
Capital assets not being depreciated	3,246,371	432,601	3,678,972	-
Capital assets being depreciated, net	12,029,727	8,841,003	20,870,730	-
Total assets	19,002,194	11,986,160	30,988,354	162,235
Deferred outflows of resources				
Deferred pension amounts	1,047,223	465,013	1,512,236	-
Liabilities				
Accounts payable and accrued liabilities	219,001	17,640	236,641	13,990
Unearned revenue	407,714	-	407,714	-
Long-term debt:				
Due within one year	160,022	54,037	214,059	-
Due in more than one year	382,991	-	382,991	-
Net pension liability (due in more than one year)	3,693,554	1,640,099	5,333,653	-
Total liabilities	4,863,282	1,711,776	6,575,058	13,990
Deferred inflows of resources				
Deferred pension amounts	600,095	266,467	866,562	-
Deferred lease amounts	121,956	-	121,956	-
Total deferred inflows of resources	722,051	266,467	988,518	-
Net position				
Net investment in capital assets	15,135,873	9,273,604	24,409,477	-
Restricted for:				
Streets and highways	1,015,153	-	1,015,153	-
Debt service	9,940	-	9,940	-
Perpetual care (non-expendable)	358,223	-	358,223	-
Unrestricted (deficit)	(2,055,105)	1,199,326	(855,779)	148,245
Total net position	\$ 14,464,084	\$ 10,472,930	\$ 24,937,014	\$ 148,245

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

CITY OF FREMONT, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2022

		Program Revenues			
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities:					
General government	\$ 977,752	\$ 104,225	\$ 13,248	\$ -	\$ (860,279)
Public safety	2,439,258	249,831	194,607	-	(1,994,820)
Public works	1,498,472	328,629	764,177	209,432	(196,234)
Community and economic development	249,669	150	-	-	(249,519)
Culture and recreation	255,999	272,493	-	24,900	41,394
Airport operations	179,844	144,125	-	1,111,285	1,075,566
Interest on long-term debt	7,626	-	-	-	(7,626)
Total governmental activities	5,608,620	1,099,453	972,032	1,345,617	(2,191,518)
Business-type activities:					
Sewer	642,178	598,277	3,806	-	(40,095)
Water	802,869	733,245	5,770	6,000	(57,854)
Total business-type activities	1,445,047	1,331,522	9,576	6,000	(97,949)
Total primary government	\$ 7,053,667	\$ 2,430,975	\$ 981,608	\$ 1,351,617	\$ (2,289,467)
Component units					
Downtown Development Authority	\$ 358,646	\$ 26,634	\$ 14,030	\$ -	\$ (317,982)
Local Development Finance Authority	23,090	-	-	-	(23,090)
Fremont Community Joint Planning Commission	43,974	22,899	19,586	-	(1,489)
Total component units	\$ 425,710	\$ 49,533	\$ 33,616	\$ -	\$ (342,561)

continued...

CITY OF FREMONT, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (2,191,518)	\$ (97,949)	\$ (2,289,467)	\$ (342,561)
General revenues:				
Property taxes	2,165,999	-	2,165,999	360,279
Licenses and permits	103,448	-	103,448	-
Grants and contributions not restricted to specific programs	878,171	-	878,171	-
Gain on sale of capital assets	66,312	-	66,312	-
Unrestricted investment earnings	12,203	-	12,203	1,247
Miscellaneous	7,995	-	7,995	-
Total general revenues	3,084,128	150,000	3,234,128	361,526
Change in net position	892,610	52,051	944,661	18,965
Net position, beginning of year	13,571,474	10,420,879	23,992,353	129,280
Net position, end of year	<u>\$ 14,464,084</u>	<u>\$ 10,472,930</u>	<u>\$ 24,937,014</u>	<u>\$ 148,245</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, 2022

	General Fund	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 904,798	\$ 580,791	\$ 1,138,373	\$ 2,623,962
Receivables:				
Accounts	127,846	-	-	127,846
Special assessments	-	-	5,141	5,141
Due from other governments	97,741	48,481	13,747	159,969
Leases	134,852	-	-	134,852
Total assets	<u>\$ 1,265,237</u>	<u>\$ 629,272</u>	<u>\$ 1,157,261</u>	<u>\$ 3,051,770</u>
Liabilities				
Accounts payable	\$ 68,874	\$ 54	\$ 13,442	\$ 82,370
Accrued liabilities	23,021	276	276	23,573
Unearned revenue	386,085	-	21,629	407,714
Total liabilities	<u>585,090</u>	<u>330</u>	<u>35,347</u>	<u>620,767</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	5,141	5,141
Deferred lease amounts	121,956	-	-	121,956
Total deferred inflows of resources	<u>121,956</u>	<u>-</u>	<u>5,141</u>	<u>127,097</u>
Fund balances				
Nonspendable	-	-	358,223	358,223
Restricted	-	628,942	396,151	1,025,093
Committed	-	-	362,399	362,399
Unassigned	558,191	-	-	558,191
Total fund balances	<u>558,191</u>	<u>628,942</u>	<u>1,116,773</u>	<u>2,303,906</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,265,237</u>	<u>\$ 629,272</u>	<u>\$ 1,157,261</u>	<u>\$ 3,051,770</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, 2022

Fund balances - total governmental funds	\$ 2,303,906
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	3,246,371
Capital assets being depreciated, net	12,029,727
Less: capital assets being accounted for in internal service funds	(1,388,274)
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.	5,141
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	1,916,427
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences payable	(402,788)
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	(3,693,554)
Deferred outflows related to the net pension liability	1,047,223
Deferred inflows related to the net pension liability	(600,095)
Net position of governmental activities	<u>\$ 14,464,084</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, 2022

	General Fund	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 2,165,999	\$ -	\$ -	\$ 2,165,999
Special assessments	-	-	83,137	83,137
Licenses and permits	103,448	-	-	103,448
Intergovernmental:				
Federal	163,000	-	-	163,000
State	878,171	538,126	217,805	1,634,102
Local	5,000	-	155,334	160,334
Charges for services	1,064,612	14,760	14,600	1,093,972
Fines and forfeitures	5,481	-	-	5,481
Investment earnings	12,203	3,466	6,262	21,931
Other	64,502	-	-	64,502
Total revenues	4,462,416	556,352	477,138	5,495,906
Expenditures				
Current:				
General government	667,366	-	-	667,366
Public safety	1,630,035	-	-	1,630,035
Public works	795,429	314,364	263,206	1,372,999
Community and economic development	138,219	-	26,634	164,853
Culture and recreation	169,321	-	-	169,321
Airport operations	192,803	-	-	192,803
Other governmental functions	847,728	-	-	847,728
Debt service:				
Principal	-	-	150,000	150,000
Interest and fees	-	-	2,906	2,906
Capital outlay	-	-	9,951	9,951
Total expenditures	4,440,901	314,364	452,697	5,207,962
Revenues over expenditures	21,515	241,988	24,441	287,944
Other financing sources (uses)				
Proceeds from sales of capital assets	69,137	-	-	69,137
Transfers in	-	-	110,000	110,000
Transfers out	(160,000)	(100,000)	-	(260,000)
Total other financing sources (uses)	(90,863)	(100,000)	110,000	(80,863)
Net change in fund balances	(69,348)	141,988	134,441	207,081
Fund balances, beginning of year	627,539	486,954	982,332	2,096,825
Fund balances, end of year	\$ 558,191	\$ 628,942	\$ 1,116,773	\$ 2,303,906

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, 2022

Net change in fund balances - total governmental funds \$ 207,081

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

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

Donated capital asset	1,118,099
Purchase/construction of capital assets	481,924
Less: purchase/construction of capital assets being accounted for in internal service funds	(38,224)
Depreciation expense	(1,367,113)
Less: depreciation expense being accounted for in internal service funds	238,017
Proceeds from sale of capital assets	(69,137)
Gain on sale of capital assets	51,149

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	16,057
Investment income from governmental activities internal service funds	6,766
Gain on sale of capital assets accounted for in internal service funds	15,163
Interest expense from governmental activities internal service funds	(5,312)

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	(35,853)
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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
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in the net pension liability and related deferred amounts	133,702
Change in compensated absences	(10,301)
Amortization of bond discount	(376)
Change in accrued interest payable	968

Change in net position of governmental activities \$ 892,610

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, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 2,160,331	\$ 2,181,911	\$ 2,165,999	\$ (15,912)
Licenses and permits	87,450	87,450	103,448	15,998
Intergovernmental:				
Federal	405,000	226,524	163,000	(63,524)
State	590,765	852,601	878,171	25,570
Local	5,000	5,000	5,000	-
Charges for services	944,300	1,009,180	1,064,612	55,432
Fines and forfeitures	4,500	4,500	5,481	981
Investment earnings	20,000	10,000	12,203	2,203
Other	58,750	64,750	64,502	(248)
Total revenues	4,276,096	4,441,916	4,462,416	20,500
Expenditures				
Current:				
General government:				
Legislative	14,085	17,185	17,831	646
Executive	94,507	99,137	98,776	(361)
Elections	500	3,670	3,755	85
General administration	5,000	26,605	23,730	(2,875)
Clerk	90,470	90,870	86,498	(4,372)
Treasurer	44,490	46,190	44,712	(1,478)
Assessor	46,470	46,470	42,880	(3,590)
Cemetery	145,900	156,150	161,173	5,023
Attorney	30,000	30,000	27,913	(2,087)
Building and grounds	115,820	133,200	120,877	(12,323)
Public relations	36,350	36,350	39,221	2,871
Total general government	<u>623,592</u>	<u>685,827</u>	<u>667,366</u>	<u>(18,461)</u>
Public safety:				
Police department	1,217,065	1,303,954	1,290,023	(13,931)
Fire department	348,345	357,345	340,012	(17,333)
Total public safety	<u>1,565,410</u>	<u>1,661,299</u>	<u>1,630,035</u>	<u>(31,264)</u>
Public works:				
Department of public works	450,830	457,830	442,832	(14,998)
Refuse and recycling	293,880	311,380	318,642	7,262
Yard waste	33,670	36,525	33,955	(2,570)
Total public works	<u>778,380</u>	<u>805,735</u>	<u>795,429</u>	<u>(10,306)</u>

continued...

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (continued):				
Community and economic development:				
Planning and zoning	\$ 101,311	\$ 103,311	\$ 103,098	\$ (213)
Community development	21,130	35,230	35,121	(109)
Total community and economic development	122,441	138,541	138,219	(322)
Culture and recreation:				
Parks and recreation	145,750	167,950	169,321	1,371
Airport operations	123,550	193,750	192,803	(947)
Other governmental functions:				
Employee fringe benefits and other items	809,270	854,890	847,682	(7,208)
Tax tribunal refunds	2,500	2,500	46	(2,454)
Total other governmental functions	811,770	857,390	847,728	(9,662)
Total expenditures	4,170,893	4,510,492	4,440,901	(69,591)
Revenues over (under) expenditures	105,203	(68,576)	21,515	90,091
Other financing sources (uses)				
Proceeds from sales of capital assets	-	87,135	69,137	(17,998)
Transfers out	(40,000)	(160,000)	(160,000)	-
Total other financing sources (uses)	(40,000)	(72,865)	(90,863)	(17,998)
Net change in fund balance	65,203	(141,441)	(69,348)	72,093
Fund balance, beginning of year	627,539	627,539	627,539	-
Fund balance, end of year	\$ 692,742	\$ 486,098	\$ 558,191	\$ 72,093

concluded

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Major Streets Special Revenue Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 470,000	\$ 470,000	\$ 538,126	\$ 68,126
Charges for services	5,000	5,000	14,760	9,760
Investment earnings	10,000	10,000	3,466	(6,534)
Total revenues	<u>485,000</u>	<u>485,000</u>	<u>556,352</u>	<u>71,352</u>
Expenditures				
Current:				
Public works:				
Construction	225,000	187,031	187,031	-
Routine maintenance	56,913	64,213	64,328	115
Traffic services	9,950	9,950	7,418	(2,532)
Snow & ice control	23,385	22,085	17,947	(4,138)
Trunkline maintenance	60,000	60,000	37,640	(22,360)
Total expenditures	<u>375,248</u>	<u>343,279</u>	<u>314,364</u>	<u>(28,915)</u>
Revenues over expenditures	109,752	141,721	241,988	100,267
Other financing uses				
Transfers out	(100,000)	(100,000)	(100,000)	-
Net change in fund balance	9,752	41,721	141,988	100,267
Fund balance, beginning of year	<u>486,954</u>	<u>486,954</u>	<u>486,954</u>	<u>-</u>
Fund balance, end of year	<u>\$ 496,706</u>	<u>\$ 528,675</u>	<u>\$ 628,942</u>	<u>\$ 100,267</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Net Position

Proprietary Funds

June 30, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Assets				
Current assets:				
Pooled cash and investments	\$ 1,071,025	\$ 1,283,578	\$ 2,354,603	\$ 674,326
Accounts receivable	167,426	190,527	357,953	-
Total current assets	1,238,451	1,474,105	2,712,556	674,326
Noncurrent assets:				
Capital assets, net:				
Land	228,972	11,726	240,698	-
Buildings	-	-	-	632,455
Utility systems	10,951,310	8,429,309	19,380,619	-
Equipment	211,709	87,466	299,175	3,966,253
Construction in progress	191,903	-	191,903	-
Accumulated depreciation	(7,188,449)	(3,650,342)	(10,838,791)	(3,210,434)
Total noncurrent assets	4,395,445	4,878,159	9,273,604	1,388,274
Total assets	5,633,896	6,352,264	11,986,160	2,062,600
Deferred outflows of resources				
Deferred pension amounts	212,621	252,392	465,013	-
Liabilities				
Current liabilities:				
Accounts payable	2,868	8,252	11,120	3,012
Accrued liabilities	2,984	3,536	6,520	351
Accrued interest payable	-	-	-	2,585
Current portion of long term debt	31,175	22,862	54,037	69,022
Total current liabilities	37,027	34,650	71,677	74,970
Noncurrent liabilities:				
Long-term debt, net of current portion	-	-	-	71,203
Net pension liability	749,912	890,187	1,640,099	-
Total noncurrent liabilities	749,912	890,187	1,640,099	71,203
Total liabilities	786,939	924,837	1,711,776	146,173
Deferred inflows of resources				
Deferred pension amounts	121,838	144,629	266,467	-
Net position				
Net investment in capital assets	4,395,445	4,878,159	9,273,604	1,248,049
Unrestricted	542,295	657,031	1,199,326	668,378
Total net position	\$ 4,937,740	\$ 5,535,190	10,472,930	\$ 1,916,427

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, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Revenues				
Charges for services	\$ 598,277	\$ 733,245	\$ 1,331,522	\$ 478,957
Operating expenses				
Administration	115,490	184,977	300,467	55,475
Operations	329,795	456,124	785,919	169,408
Depreciation	196,893	161,768	358,661	238,017
Total operating expenses	642,178	802,869	1,445,047	462,900
Operating income (loss)	(43,901)	(69,624)	(113,525)	16,057
Nonoperating revenues (expenses)				
Investment income	3,806	5,770	9,576	6,766
Gain on sale of capital assets	-	-	-	15,163
Interest expense	-	-	-	(5,312)
Total nonoperating revenues	3,806	5,770	9,576	16,617
Income (loss) before transfers and capital contributions	(40,095)	(63,854)	(103,949)	32,674
Transfers				
Transfers in	150,000	-	150,000	-
Capital contributions				
Connection fees	-	6,000	6,000	-
Change in net position	109,905	(57,854)	52,051	32,674
Net position, beginning of year	4,827,835	5,593,044	10,420,879	1,883,753
Net position, end of year	<u>\$ 4,937,740</u>	<u>\$ 5,535,190</u>	<u>\$ 10,472,930</u>	<u>\$ 1,916,427</u>

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, 2022

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 634,883	\$ 741,875	\$ 1,376,758	\$ -
Receipts from interfund services provided	-	-	-	478,957
Payments to and refunds received from suppliers	(75,224)	(162,431)	(237,655)	(167,253)
Payments to or on behalf of employees	(374,341)	(462,956)	(837,297)	(55,509)
Payments for interfund services used	(22,738)	(29,366)	(52,104)	-
Net cash provided by operating activities	<u>162,580</u>	<u>87,122</u>	<u>249,702</u>	<u>256,195</u>
Cash flows from noncapital financing activities				
Transfers in	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Cash flows from capital and related financing activities				
Connection fees received	-	6,000	6,000	-
Principal payments on long-term debt	-	-	-	(66,907)
Interest paid on long-term debt	-	-	-	(6,545)
Purchase of capital assets	(117,095)	(53,600)	(170,695)	(38,224)
Proceeds from sales of capital assets	-	-	-	16,327
Net cash used in capital and related financing activities	<u>(117,095)</u>	<u>(47,600)</u>	<u>(164,695)</u>	<u>(95,349)</u>
Cash flows from investing activities				
Interest received	<u>3,806</u>	<u>5,770</u>	<u>9,576</u>	<u>6,766</u>
Net change in pooled cash and investments	<u>199,291</u>	<u>45,292</u>	<u>244,583</u>	<u>167,612</u>
Pooled cash and investments, beginning of year	<u>871,734</u>	<u>1,238,286</u>	<u>2,110,020</u>	<u>506,714</u>
Pooled cash and investments, end of year	<u><u>\$ 1,071,025</u></u>	<u><u>\$ 1,283,578</u></u>	<u><u>\$ 2,354,603</u></u>	<u><u>\$ 674,326</u></u>
Cash flows from operating activities				
Operating income (loss)	\$ (43,901)	\$ (69,624)	\$ (113,525)	\$ 16,057
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	196,893	161,768	358,661	238,017
Changes in assets, deferred outflows/inflows of resources, and liabilities that provided (used) cash:				
Accounts receivable	36,606	8,630	45,236	-
Prepaid items	2,793	3,793	6,586	-
Accounts payable	(1,189)	1,428	239	2,155
Accrued liabilities	387	250	637	(34)
Compensated absences	1,397	(11,911)	(10,514)	-
Net pension liability	(56,850)	(33,694)	(90,544)	-
Deferred outflows for pension	(32,138)	(45,708)	(77,846)	-
Deferred inflows for pension	58,582	72,190	130,772	-
Net cash provided by operating activities	<u><u>\$ 162,580</u></u>	<u><u>\$ 87,122</u></u>	<u><u>\$ 249,702</u></u>	<u><u>\$ 256,195</u></u>

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

CITY OF FREMONT, MICHIGAN

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2022

	Other Post- Employment Benefits Trust	Custodial Fund
Assets		
Pooled cash and investments	\$ -	\$ 44,796
Investments - MERS total market portfolio	104,423	-
Receivables	-	367
	<hr/>	<hr/>
Total assets	104,423	45,163
Liabilities		
Undistributed receipts	-	45,163
	<hr/>	<hr/>
Net position		
Restricted for:		
Other postemployment benefits	<u>\$ 104,423</u>	<u>\$ -</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For the Year Ended June 30, 2022

	Other Post- Employment Benefits Trust	Custodial Fund
Additions		
Property taxes collected for other governmental units	\$ -	\$ 6,105,246
Employer contributions	15,000	-
Investment loss	(9,555)	-
	<u>5,445</u>	<u>6,105,246</u>
Total additions	<u>5,445</u>	<u>6,105,246</u>
Deductions		
Property taxes distributed to other governmental units	-	6,105,246
Administrative expenses	193	-
	<u>193</u>	<u>6,105,246</u>
Total deductions	<u>193</u>	<u>6,105,246</u>
Change in net position	5,252	-
Net position, beginning of year	<u>99,171</u>	<u>-</u>
Net position, end of year	<u>\$ 104,423</u>	<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, 2022

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Assets				
Cash and investments	\$ 125,319	\$ 4,730	\$ 6,168	\$ 136,217
Receivables	26,018	-	-	26,018
Total assets	151,337	4,730	6,168	162,235
Liabilities				
Accounts payable and accrued liabilities	13,990	-	-	13,990
Net position				
Unrestricted	\$ 137,347	\$ 4,730	\$ 6,168	\$ 148,245

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

CITY OF FREMONT, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units

For the Year Ended June 30, 2022

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Expenses				
Downtown Development Authority	\$ 358,646	\$ -	\$ -	\$ 358,646
Local Development Finance Authority	-	23,090	-	23,090
Fremont Community Joint Planning Commission	-	-	43,974	43,974
Total expenses	<u>358,646</u>	<u>23,090</u>	<u>43,974</u>	<u>425,710</u>
Program revenues				
Charges for services	26,634	-	22,899	49,533
Operating grants and contributions	14,030	-	19,586	33,616
Total program revenues	<u>40,664</u>	<u>-</u>	<u>42,485</u>	<u>83,149</u>
Net (expense) revenue	<u>(317,982)</u>	<u>(23,090)</u>	<u>(1,489)</u>	<u>(342,561)</u>
General revenues				
Property taxes	337,264	23,015	-	360,279
Unrestricted investment earnings	1,110	34	103	1,247
Total general revenues	<u>338,374</u>	<u>23,049</u>	<u>103</u>	<u>361,526</u>
Change in net position	<u>20,392</u>	<u>(41)</u>	<u>(1,386)</u>	<u>18,965</u>
Net position, beginning of year	<u>116,955</u>	<u>4,771</u>	<u>7,554</u>	<u>129,280</u>
Net position, end of year	<u><u>\$ 137,347</u></u>	<u><u>\$ 4,730</u></u>	<u><u>\$ 6,168</u></u>	<u><u>\$ 148,245</u></u>

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Blended Component Unit

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

Discretely Presented Component Units

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

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

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.

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 funds:

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

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

The City reports the following major enterprise funds:

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

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Additionally, the City reports the following fund types:

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

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

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

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

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, 2022. 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	15-20
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 assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows of resources 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 assets 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. The statement of net position and governmental funds balance sheets report deferred inflows related to leases. The amounts are deferred and amortized over the remaining life of the lease.

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, 2022, 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:			
Legislative	\$ 17,185	\$ 17,831	\$ 646
Elections	3,670	3,755	85
Cemetery	156,150	161,173	5,023
Public relations	36,350	39,221	2,871
Public works:			
Refuse and recycling	311,380	318,642	7,262
Culture and recreation:			
Parks and recreation	167,950	169,321	1,371
Major streets fund:			
Public works:			
Routine maintenance	64,213	64,328	115
Local streets fund:			
Public works:			
Routine maintenance	226,010	247,879	21,869

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2022:

	Primary Government	Component Units	Fiduciary Funds	Total
Pooled cash and investments	\$ 5,652,891	\$ 136,217	\$ 44,796	\$ 5,833,904
Investments	-	-	104,423	104,423
	<u>\$ 5,652,891</u>	<u>\$ 136,217</u>	<u>\$ 149,219</u>	<u>\$ 5,938,327</u>

The City's deposits are in several financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. 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, 2022:

Checking/savings accounts	\$ 3,968,436
Certificates of deposit:	
Due within one year	248,003
Due in one to five years	204,065
Investments	1,517,288
Petty cash	535
Total cash and investments	<u><u>\$ 5,938,327</u></u>

Statutory Authority

State statutes authorize the City to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- 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.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The City chooses to disclose its investments by specifically identifying each. As of June 30, 2022, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 1,169,173	AAAm (S&P)
Money market account	N/A	255	N/A
U.S. Treasury Bills	4/20/2023	243,437	N/A
MERS total market portfolio	N/A	<u>104,423</u>	N/A
Total investments		<u><u>\$ 1,517,288</u></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, \$3,994,126 of the City’s bank balance of \$4,494,138 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, 2022:

	Level 1	Level 2	Level 3	Total
Money market account	\$ 255	\$ -	\$ -	\$ 255
U.S. Treasury Bills	-	243,437	-	243,437
MERS total market portfolio	104,423	-	-	104,423
Total	\$ 104,678	\$ 243,437	\$ -	348,115
Investments carried at net asset value:				
Michigan CLASS government investment pool				1,169,173
				<u>\$ 1,517,288</u>

At June 30, 2022, the City's investments in U.S. Treasury Bills are considered Level 2 investments. The fair value of the City's Level 2 investments is determined primarily by a matrix pricing technique, which is used to value securities based on their relationship to benchmark quoted prices. Due to the inherent uncertainty of determining the fair value of investments that are not publicly traded, the fair value reported for these investments may differ significantly from the values that would have been used had a publicly traded market existed for such investments.

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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

At year end, the net asset value of the City's investment in the Michigan CLASS government investment pool was \$1,169,713. 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.

4. RECEIVABLES

At June 30, 2022, the City's receivables consisted of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 127,846	\$ 357,953	\$ -
Special assessments	5,141	-	-
Due from other governments	159,969	-	-
Leases	134,852	-	-
Notes	-	-	26,018
Total	\$ 427,808	\$ 357,953	\$ 26,018

Of the amounts reported above, \$111,195 of the leases receivable reported in the governmental activities and \$17,708 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, 2022, the City's accounts payable and accrued liabilities were as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 85,382	\$ 11,120	\$ 13,990
Accrued liabilities	23,924	6,520	-
Accrued interest payable	2,585	-	-
Total	\$ 219,001	\$ 17,640	\$ 13,990

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

6. LEASES RECEIVABLE

The County is involved in six agreements as a lessor that qualify as long-term lease agreements. Below is a summary of these agreements. These agreements qualify as long-term lease agreements as the City will not surrender control of the asset at the end of the term and the noncancelable term of the agreement surpasses one year. Total lease revenue for the year ended June 30, 2022 was \$15,622.

	Asset Type	Remaining Term of Agreements		
	Land	3 to 5 years		
	Airport hangars	15 years		
	Buildings	9 years		
	Beginning Balance	Additions	Deductions	Ending Balance
Leases receivable	\$ 38,782	\$ 98,796	\$ (2,726)	\$ 134,852

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 3,165,185	\$ 21,506	\$ (17,988)	\$ -	\$ 3,168,703
Construction in progress	57,140	1,135,613	-	(1,115,085)	77,668
	<u>3,222,325</u>	<u>1,157,119</u>	<u>(17,988)</u>	<u>(1,115,085)</u>	<u>3,246,371</u>
Capital assets, being depreciated:					
Land improvements	1,880,476	20,896	-	-	1,901,372
Buildings and improvements	4,753,498	-	-	-	4,753,498
Vehicles and equipment	5,056,715	66,457	(55,279)	-	5,067,893
Infrastructure	23,895,977	355,551	-	1,115,085	25,366,613
	<u>35,586,666</u>	<u>442,904</u>	<u>(55,279)</u>	<u>1,115,085</u>	<u>37,089,376</u>

continued...

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities (concluded)					
Less accumulated depreciation for:					
Land improvements	\$ (1,129,355)	\$ (85,951)	\$ -	\$ -	\$ (1,215,306)
Buildings and improvements	(3,874,364)	(131,432)	-	-	(4,005,796)
Vehicles and equipment	(3,598,765)	(240,344)	54,115	-	(3,784,994)
Infrastructure	(15,144,167)	(909,386)	-	-	(16,053,553)
	<u>(23,746,651)</u>	<u>(1,367,113)</u>	<u>54,115</u>	<u>-</u>	<u>(25,059,649)</u>
Total capital assets being depreciated, net	<u>11,840,015</u>	<u>(924,209)</u>	<u>(1,164)</u>	<u>1,115,085</u>	<u>12,029,727</u>
Governmental activities capital assets, net	<u>\$ 15,062,340</u>	<u>\$ 232,910</u>	<u>\$ (19,152)</u>	<u>\$ -</u>	<u>\$ 15,276,098</u>

concluded

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

Governmental activities	
General government	\$ 197,161
Public safety	514,131
Public works	312,755
Community and economic development	51,767
Culture and recreation	53,282
Depreciation charged to Internal Service Funds	<u>238,017</u>
	<u>\$ 1,367,113</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 240,698	\$ -	\$ -	\$ -	\$ 240,698
Construction in progress	81,128	110,775	-	-	191,903
	<u>321,826</u>	<u>110,775</u>	<u>-</u>	<u>-</u>	<u>432,601</u>
Capital assets, being depreciated:					
Utility systems	19,327,019	53,600	-	-	19,380,619
Equipment	292,855	6,320	-	-	299,175
	<u>19,619,874</u>	<u>59,920</u>	<u>-</u>	<u>-</u>	<u>19,679,794</u>
Less accumulated depreciation for:					
Utility systems	(10,281,488)	(346,450)	-	-	(10,627,938)
Equipment	(198,642)	(12,211)	-	-	(210,853)
	<u>(10,480,130)</u>	<u>(358,661)</u>	<u>-</u>	<u>-</u>	<u>(10,838,791)</u>
Total capital assets being depreciated, net	<u>9,139,744</u>	<u>(298,741)</u>	<u>-</u>	<u>-</u>	<u>8,841,003</u>
Business-type activities capital assets, net	<u>\$ 9,461,570</u>	<u>\$ (187,966)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,273,604</u>

Depreciation expense was charged to functions/programs of business-type activities as follows:

Business-type activities

Sewer	\$ 196,893
Water	<u>161,768</u>
	<u>\$ 358,661</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

8. LONG-TERM DEBT

The following is a summary of the debt transactions for the City during the year ended June 30, 2022:

	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	\$ 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	-	(66,907)	140,225	69,022
Subtotal - installment debt	357,132	-	(216,907)	140,225	69,022
Unamortized discount	(376)	-	376	-	-
Compensated absences	392,487	100,829	(90,528)	402,788	91,000
Total governmental activities	<u>\$ 749,243</u>	<u>\$ 100,829</u>	<u>\$ (307,059)</u>	<u>\$ 543,013</u>	<u>\$ 160,022</u>
Business-type activities					
Compensated absences	<u>\$ 64,551</u>	<u>\$ 11,615</u>	<u>\$ (22,129)</u>	<u>\$ 54,037</u>	<u>\$ 54,037</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	
	Direct Borrowings and Direct Placements	
	Principal	Interest
2023	\$ 69,022	\$ 4,431
2024	71,203	2,250
	<u>\$ 140,225</u>	<u>\$ 6,681</u>

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

9. INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2022 is as follows:

Transfers out	Transfers In		Total
	Nonmajor Governmental Funds	Sewer Fund	
General Fund	\$ 10,000	\$ 150,000	\$ 160,000
Major Streets Fund	100,000	-	100,000
	<u>\$ 110,000</u>	<u>\$ 150,000</u>	<u>\$ 260,000</u>

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

10. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Major Streets Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Permanent corpus	\$ -	\$ -	\$ 358,223	\$ 358,223
Restricted:				
Highways and streets	-	628,942	386,211	1,015,153
Debt service	-	-	9,940	9,940
Total restricted	-	628,942	396,151	1,025,093
Committed:				
Capital projects	-	-	362,399	362,399
Unassigned	558,191	-	-	558,191
Total fund balances, governmental funds	\$ 558,191	\$ 628,942	\$ 1,116,773	\$ 2,303,906

11. 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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

12. RISK MANAGEMENT

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

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

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

13. PENSION PLANS

General Information About the Plan

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

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, 2021 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><u>63</u></u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. 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, 2022:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - General	\$36,893/month	0.00%	Closed
02 - Police/Fire	\$13,045/month	3.50%	Closed
03 - Gnrl 12/12 & Pol/Fi 7/16	\$3,472/month	0.00%	Open
20 - Pol/Fi aft 7/16	\$1,080/month	7.00%	Open

Net Pension Liability. The City's net pension liability was measured as of December 31, 2021, 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, 2021 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	7.00%, 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, 2021 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%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	<u>100.0%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>7.25%</u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2021 was 7.25% (down from 7.60% at December 31, 2020). 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, 2020	\$ 15,677,299	\$ 9,991,875	\$ 5,685,424
Changes for the year:			
Service cost	214,102	-	214,102
Interest	1,167,441	-	1,167,441
Differences between expected and actual experience	(86,718)	-	(86,718)
Changes in assumptions	641,741	-	641,741
Employer contributions	-	934,319	(934,319)
Employee contributions	-	24,372	(24,372)
Net investment income	-	1,345,559	(1,345,559)
Benefit payments, including refunds of employee contributions	(846,575)	(846,575)	-
Administrative expense	-	(15,913)	15,913
Net changes	1,089,991	1,441,762	(351,771)
Balances at December 31, 2021	\$ 16,767,290	\$ 11,433,637	\$ 5,333,653

Changes in assumptions. In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 7,408,304	\$ 5,333,653	\$ 3,600,102

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, 2022, the City recognized pension expense of \$782,314. 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	\$ 240,342	\$ 85,544	\$ 154,798
Changes in assumptions	944,954	-	944,954
Net difference between projected and actual earnings on pension plan investments	-	781,018	(781,018)
	1,185,296	866,562	318,734
Contributions subsequent to the measurement date	326,940	-	326,940
Total	\$ 1,512,236	\$ 866,562	\$ 645,674

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, 2023. 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
2023	\$ 269,824
2024	26,518
2025	27,890
2026	(5,498)
Total	\$ 318,734

Payable to the Pension Plan. At June 30, 2022, 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, 2022, 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, 2022, the corporation's billings for utilities approximated 36% of total combined billings in the Sewer and Water funds. This corporation also accounts for 24% of year-end accounts receivable.

16. TAX ABATEMENTS

The City received reduced property tax revenues during 2022 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 \$32,000 in reduced City tax revenues for 2022.

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, 2022, were as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,246,371	\$ 432,601
Capital assets being depreciated, net	<u>12,029,727</u>	<u>8,841,003</u>
	15,276,098	9,273,604
Related debt:		
Installment purchase agreements	<u>140,225</u>	<u>-</u>
Net investment in capital assets	<u>\$ 15,135,873</u>	<u>\$ 9,273,604</u>

18. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The 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,		
	2022	2021	2020
Total pension liability			
Service cost	\$ 214,102	\$ 201,583	\$ 181,805
Interest	1,167,441	1,077,328	1,064,790
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(86,718)	303,294	(40,422)
Changes in assumptions	641,741	424,314	442,434
Benefit payments, including refunds of employee contributions	(846,575)	(807,602)	(778,394)
Other changes	-	-	-
Net change in total pension liability	<u>1,089,991</u>	<u>1,198,917</u>	<u>870,213</u>
Total pension liability, beginning of year	<u>15,677,299</u>	<u>14,478,382</u>	<u>13,608,169</u>
Total pension liability, end of year	<u>16,767,290</u>	<u>15,677,299</u>	<u>14,478,382</u>
Plan fiduciary net position			
Employer contributions	934,319	876,263	1,109,004
Employee contributions	24,372	22,974	21,827
Net investment income (loss)	1,345,559	1,224,175	1,010,140
Benefit payments, including refunds of employee contributions	(846,575)	(807,602)	(778,394)
Administrative expense	(15,913)	(17,407)	(17,438)
Net change in plan fiduciary net position	<u>1,441,762</u>	<u>1,298,403</u>	<u>1,345,139</u>
Plan fiduciary net position, beginning of year	<u>9,991,875</u>	<u>8,693,472</u>	<u>7,348,333</u>
Plan fiduciary net position, end of year	<u>11,433,637</u>	<u>9,991,875</u>	<u>8,693,472</u>
City's net pension liability	<u>\$ 5,333,653</u>	<u>\$ 5,685,424</u>	<u>\$ 5,784,910</u>
Plan fiduciary net position as a percentage of total pension liability	68.2%	63.7%	60.0%
Covered payroll	\$ 1,959,997	\$ 1,903,758	\$ 1,712,443
City's net pension liability as a percentage of covered payroll	272.1%	298.6%	337.8%

See notes to required supplementary information.

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Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 172,794	\$ 171,025	\$ 158,884	\$ 150,483	\$ 150,506
1,006,720	980,467	941,665	885,802	855,187
-	-	(9,030)	-	-
291,822	(115,185)	78,624	43,707	-
-	-	-	611,497	-
(721,534)	(696,521)	(679,937)	(643,796)	(625,376)
-	-	(2,967)	-	-
749,802	339,786	487,239	1,047,693	380,317
12,858,367	12,518,581	12,031,342	10,983,649	10,603,332
13,608,169	12,858,367	12,518,581	12,031,342	10,983,649
504,525	498,734	1,350,358	413,578	366,822
21,026	18,906	6,698	-	-
(304,061)	934,658	652,394	(89,378)	375,832
(721,534)	(696,521)	(679,937)	(643,796)	(625,376)
(15,142)	(14,800)	(12,907)	(13,238)	(13,755)
(515,186)	740,977	1,316,606	(332,834)	103,523
7,863,519	7,122,542	5,805,936	6,138,770	6,035,247
7,348,333	7,863,519	7,122,542	5,805,936	6,138,770
\$ 6,259,836	\$ 4,994,848	\$ 5,396,039	\$ 6,225,406	\$ 4,844,879
54.0%	61.2%	56.9%	48.3%	55.9%
\$ 1,633,516	\$ 1,611,679	\$ 1,527,970	\$ 1,442,251	\$ 1,583,012
383.2%	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
2022	\$ 653,634	\$ 953,634	\$ 300,000	\$ 1,976,128	48.3%
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.

In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

Notes to Schedule of Contributions

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

Valuation Date	Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.
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Methods and assumptions used to determine contribution rates (2022, based on the 12/31/2019 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	14-19 years, depending on division
Asset valuation method	5-year smooth market
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
Normal retirement age	Age 60

CITY OF FREMONT, MICHIGAN

Notes to Required Supplementary Information

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, 2022

	Special Revenue		Debt Service	Capital Projects
	Local Streets	Local Improvement	Construction Bond	Capital Projects
Assets				
Cash and investments	\$ 386,182	\$ 324,738	\$ 9,940	\$ 59,290
Receivables:				
Special assessments	-	5,141	-	-
Due from other governments	13,747	-	-	-
Total assets	<u>\$ 399,929</u>	<u>\$ 329,879</u>	<u>\$ 9,940</u>	<u>\$ 59,290</u>
Liabilities				
Account payable	\$ 13,442	\$ -	\$ -	\$ -
Accrued liabilities	276	-	-	-
Unearned revenue	-	-	-	21,629
Total liabilities	<u>13,718</u>	<u>-</u>	<u>-</u>	<u>21,629</u>
Deferred inflow of resources				
Unavailable revenue - special assessments	-	5,141	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	386,211	-	9,940	-
Committed	-	324,738	-	37,661
Total fund balances	<u>386,211</u>	<u>324,738</u>	<u>9,940</u>	<u>37,661</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 399,929</u>	<u>\$ 329,879</u>	<u>\$ 9,940</u>	<u>\$ 59,290</u>



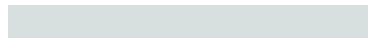
Permanent	
Cemetery Perpetual Care	Totals
\$ 358,223	\$ 1,138,373
-	5,141
-	13,747
<hr/>	
\$ 358,223	\$ 1,157,261
<hr/>	
\$ -	\$ 13,442
-	276
-	21,629
<hr/>	
-	35,347
<hr/>	
-	5,141
<hr/>	
358,223	358,223
-	396,151
-	362,399
<hr/>	
358,223	1,116,773
<hr/>	
\$ 358,223	\$ 1,157,261
<hr/>	

CITY OF FREMONT, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue		Debt Service	Capital Projects
	Local Streets	Local Improvement	Construction Bond	Capital Projects
Revenues				
Special assessments	\$ -	\$ 83,137	\$ -	\$ -
Intergovernmental:				
State	217,805	-	-	-
Local	-	-	153,303	2,031
Charges for services	-	-	-	-
Investment earnings	1,252	2,656	14	859
Total revenues	<u>219,057</u>	<u>85,793</u>	<u>153,317</u>	<u>2,890</u>
Expenditures				
Current:				
Public works	263,206	-	-	-
Community and economic development	-	26,634	-	-
Debt service:				
Principal	-	-	150,000	-
Interest and fees	-	-	2,906	-
Capital outlay	-	-	-	9,951
Total expenditures	<u>263,206</u>	<u>26,634</u>	<u>152,906</u>	<u>9,951</u>
Revenues over (under) expenditures	(44,149)	59,159	411	(7,061)
Other financing sources				
Transfers in	100,000	-	-	10,000
Net change in fund balances	55,851	59,159	411	2,939
Fund balances, beginning of year	330,360	265,579	9,529	34,722
Fund balances, end of year	<u>\$ 386,211</u>	<u>\$ 324,738</u>	<u>\$ 9,940</u>	<u>\$ 37,661</u>



Permanent	
Cemetery Perpetual Care	Totals
\$ -	\$ 83,137
-	217,805
-	155,334
14,600	14,600
1,481	6,262
<hr/>	
16,081	477,138
<hr/>	
-	263,206
-	26,634
-	150,000
-	2,906
-	9,951
<hr/>	
-	452,697
<hr/>	
16,081	24,441
-	110,000
<hr/>	
16,081	134,441
342,142	982,332
<hr/>	
\$ 358,223	\$ 1,116,773
<hr/>	

CITY OF FREMONT, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Streets Special Revenue Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 185,000	\$ 185,000	\$ 217,805	\$ 32,805
Investment earnings	2,000	2,000	1,252	(748)
Total revenues	<u>187,000</u>	<u>187,000</u>	<u>219,057</u>	<u>32,057</u>
Expenditures				
Current:				
Public works:				
Routine maintenance	266,760	226,010	247,879	21,869
Traffic services	1,776	2,526	2,495	(31)
Snow & ice control	24,150	17,400	12,832	(4,568)
Total expenditures	<u>292,686</u>	<u>245,936</u>	<u>263,206</u>	<u>17,270</u>
Revenues over (under) expenditures	(105,686)	(58,936)	(44,149)	14,787
Other financing sources				
Transfers in	100,000	100,000	100,000	-
Net change in fund balance	(5,686)	41,064	55,851	14,787
Fund balance, beginning of year	<u>330,360</u>	<u>330,360</u>	<u>330,360</u>	<u>-</u>
Fund balance, end of year	<u>\$ 324,674</u>	<u>\$ 371,424</u>	<u>\$ 386,211</u>	<u>\$ 14,787</u>

CITY OF FREMONT, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Improvement Special Revenue Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 26,000	\$ 26,000	\$ 83,137	\$ 57,137
Investment earnings	2,200	2,200	2,656	456
Total revenues	28,200	28,200	85,793	57,593
Expenditures				
Current:				
Community and economic development	26,634	26,634	26,634	-
Net change in fund balance	1,566	1,566	59,159	57,593
Fund balance, beginning of year	265,579	265,579	265,579	-
Fund balance, end of year	<u>\$ 267,145</u>	<u>\$ 267,145</u>	<u>\$ 324,738</u>	<u>\$ 57,593</u>