

**City of Fremont,
Michigan**



**Year Ended
June 30, 2023**

**Financial
Statements**

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CITY OF FREMONT, MICHIGAN

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CITY OF FREMONT, MICHIGAN

Elected and Appointed Officials

For the Year Ended June 30, 2023

Elected Officials

Mayor	James Rynberg
Mayor Pro Tem	Sandy Siegel
Council Members	Bob Johnson Lola Harmon-Ramsey Eric Johnson

Appointed Officials

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

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INDEPENDENT AUDITORS' REPORT

October 9, 2023

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, 2023, 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, 2023, 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.

A handwritten signature in black ink that reads "Rehmann Lohman LLC". The signature is fluid and cursive, with "Rehmann" and "Lohman" stacked vertically and "LLC" to the right.

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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, 2023. 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	\$ 24,647,011
· Change in total net position	(290,003)
· Fund balance, governmental funds	2,707,132
· Change in fund balance, governmental funds	403,226
· Unassigned fund balance, general fund	772,727
· Change in fund balance, general fund	214,536

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, 2023, the City's net position from governmental activities totaled \$14,324,789 and \$10,322,222 from business-type activities, for a government-wide net position total of \$24,647,011.

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 \$2,210,468, primarily due to the net pension liability of \$5,422,299.

For both governmental and business-type activities, deferred outflows of resources saw significant increases and deferred inflows of resources significant decreases, due to current year changes in the defined benefit pension plan.

Long-term liabilities for both governmental and business-type activities also increased to due increases in the overall net pension liability.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 4,056,890	\$ 3,726,096	\$ 2,700,886	\$ 2,712,556	\$ 6,757,776	\$ 6,438,652
Capital assets, net	15,017,677	15,276,098	9,082,718	9,273,604	24,100,395	24,549,702
Total assets	19,074,567	19,002,194	11,783,604	11,986,160	30,858,171	30,988,354
Deferred outflows of resources	1,868,709	1,047,223	720,606	465,013	2,589,315	1,512,236
Current and other liabilities	663,035	626,715	25,881	17,640	688,916	644,355
Long-term liabilities	5,831,549	4,236,567	2,139,377	1,694,136	7,970,926	5,930,703
Total liabilities	6,494,584	4,863,282	2,165,258	1,711,776	8,659,842	6,575,058
Deferred inflows of resources	123,903	722,051	16,730	266,467	140,633	988,518
Net position:						
Net investment in capital assets	14,946,474	15,135,873	9,082,718	9,273,604	24,029,192	24,409,477
Restricted	1,588,783	1,383,316	-	-	1,588,783	1,383,316
Unrestricted (deficit)	(2,210,468)	(2,055,105)	1,239,504	1,199,326	(970,964)	(855,779)
Total net position	\$ 14,324,789	\$ 14,464,084	\$ 10,322,222	\$ 10,472,930	\$ 24,647,011	\$ 24,937,014

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	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 1,147,840	\$ 1,099,453	\$ 1,343,414	\$ 1,331,522	\$ 2,491,254	\$ 2,430,975
Operating grants and contributions	907,085	972,032	36,429	9,576	943,514	981,608
Capital grants and contributions	338,567	1,345,617	-	6,000	338,567	1,351,617
General revenues:						
Property taxes	2,261,745	2,165,999	-	-	2,261,745	2,165,999
Licenses and permits	92,511	103,448	-	-	92,511	103,448
Unrestricted grants	899,861	878,171	-	-	899,861	878,171
Gain on sale of capital assets	523,585	66,312	-	-	523,585	66,312
Unrestricted investment earnings	60,305	12,203	-	-	60,305	12,203
Miscellaneous	18,529	7,995	-	-	18,529	7,995
Total revenues	6,250,028	6,651,230	1,379,843	1,347,098	7,629,871	7,998,328
Expenses						
General government	840,189	977,752	-	-	840,189	977,752
Public safety	2,832,989	2,439,258	-	-	2,832,989	2,439,258
Public works	2,030,874	1,498,472	-	-	2,030,874	1,498,472
Community and economic development	195,081	249,669	-	-	195,081	249,669
Culture and recreation	313,470	255,999	-	-	313,470	255,999
Airport operations	173,561	179,844	-	-	173,561	179,844
Interest on long-term debt	3,159	7,626	-	-	3,159	7,626
Sewer	-	-	684,568	642,178	684,568	642,178
Water	-	-	845,983	802,869	845,983	802,869
Total expenses	6,389,323	5,608,620	1,530,551	1,445,047	7,919,874	7,053,667
Change in net position, before transfers	(139,295)	1,042,610	(150,708)	(97,949)	(290,003)	944,661
Transfers	-	(150,000)	-	150,000	-	-
Change in net position	(139,295)	892,610	(150,708)	52,051	(290,003)	944,661
Net position, beginning of year	14,464,084	13,571,474	10,472,930	10,420,879	24,937,014	23,992,353
Net position, end of year	\$ 14,324,789	\$ 14,464,084	\$ 10,322,222	\$ 10,472,930	\$ 24,647,011	\$ 24,937,014

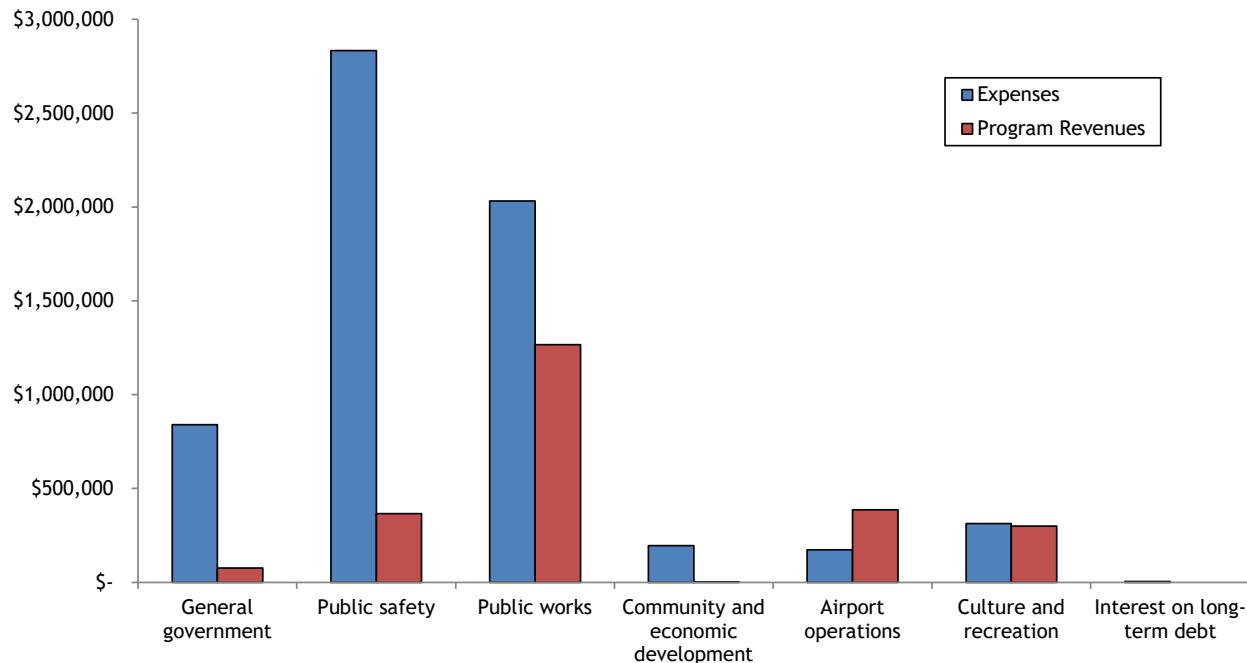
CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities decreased the City's net position by \$139,295, compared to an increase of \$892,610 from the previous fiscal year. This was the result of a decrease in overall revenue, offset by a significant increase in expenses.

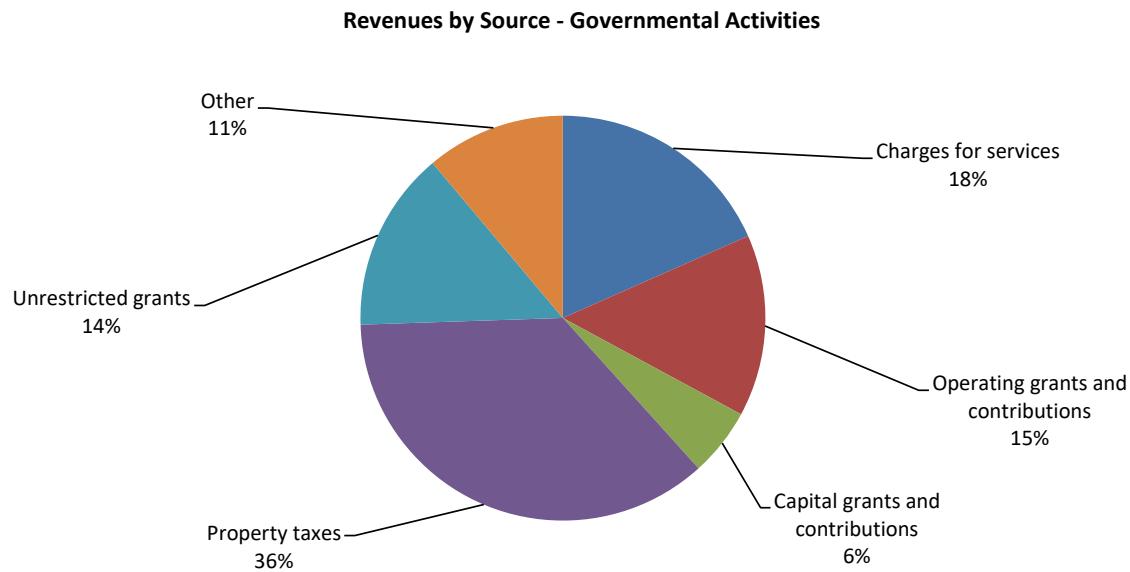
- The City's \$401,202 decrease in governmental activities revenue is mainly due to a significant decrease in capital grants and contributions of \$1,007,050. This was the result of a federal grant, administered by the Michigan Department of Transportation, in the amount of \$1,111,085, that was used to upgrade lighting and other infrastructure at the City's airport in fiscal 2022. A similar grant was received for 2023, but a much lower amount. This decrease was offset by an increase in gain on sale of capital assets due to some significant land sales that occurred during the year ended June 30, 2023.
- Governmental activities experienced a significant overall increase in expenses of \$780,703, or 13.9%. Fluctuations between expense classifications largely resulted from changes in the allocation of pension liability costs between years.

Expenses and Program Revenues - Governmental Activities



CITY OF FREMONT, MICHIGAN

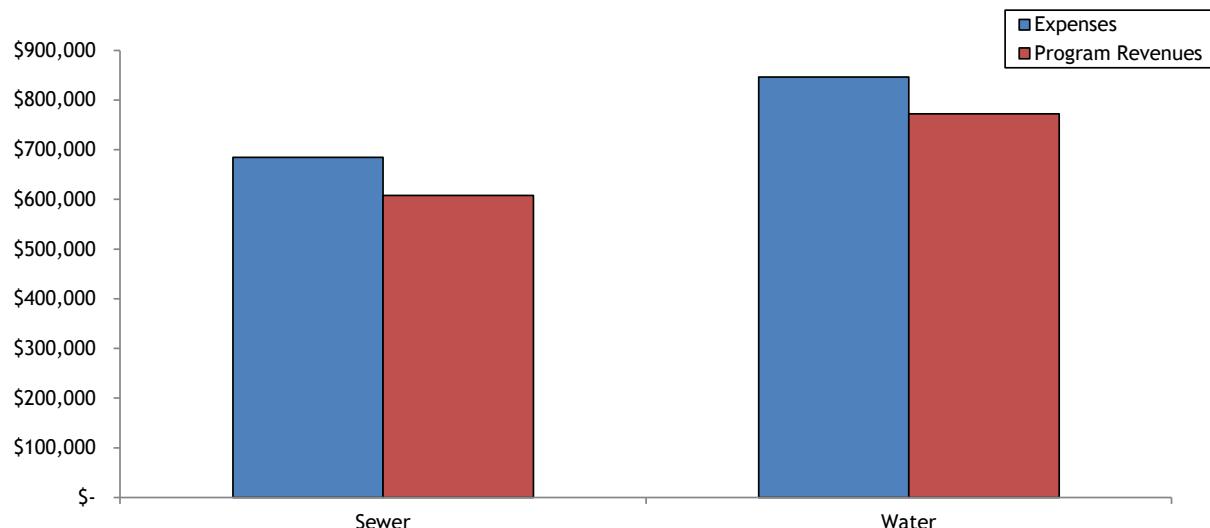
Management's Discussion and Analysis



Business-type Activities. Business-type activities decreased the City's net position by \$150,708, as compared to an increase of \$52,051 from the prior fiscal year. Key elements of this change are as follows:

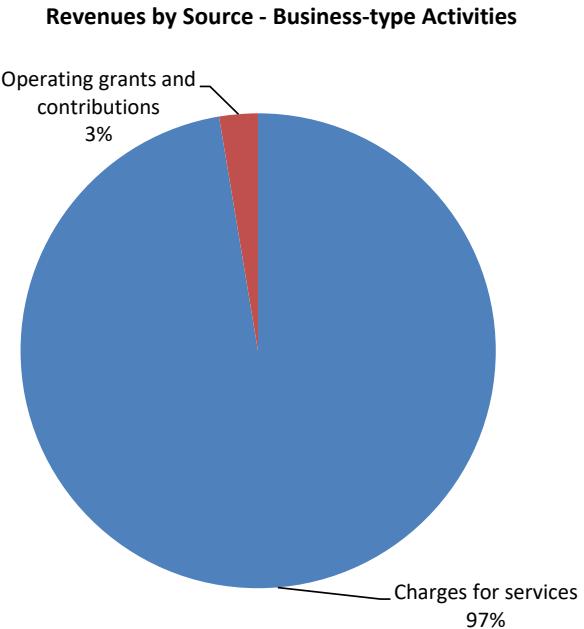
- Business-type activities total revenues increased by \$32,745, or 2.4%, remaining fairly consistent with the prior year revenues.
- Business-type activities expenses increased by \$85,504, or 5.9%, mainly due to increases in the business-type activities' share of the net pension liability and related deferrals.

Expenses and Program Revenues - Business-type Activities



CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis



Financial Analysis of the Government's Funds

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

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

At the end of the 2023 fiscal year, the governmental funds reported a combined fund balance of \$2,707,132. Of this number, \$772,727 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 \$772,727, an increase of \$214,536 (38.4%) from fiscal year 2021-22. The health of the general fund may be measured by the ratio of fund balance to annual general fund expenditures. Total fund balance for the general fund on June 30, 2023 represents 15.9% of the general fund expenditures and transfers out.

The major streets fund is the other reported major fund of the City for the year ended June 30, 2023. 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 \$678,443, an increase of \$49,501 (7.9%) from fiscal year 2021-22.

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, 2023, net position of the sewer fund decreased by \$76,794 and net position of the water fund decreased by \$73,914.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

The sewer fund experienced a 1.2% decrease in revenues and a 6.6% increase in expenses, ending with a decrease 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 \$1,117,555. The water fund experienced a decrease in net position of \$73,914 as result of increased expenses related to the net pension liability and related deferred amounts.

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 \$213,524 to adjust for appropriation of ARPA grant funds toward projects scheduled for the next fiscal year. The City budgeted for construction of recreation projects in Branstrom Park and Fremont Lake Park.
- The state revenue budget was increased by \$163,254 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 \$76,100, primarily due to increases in assessor, building and grounds and tax tribunal departments.
- The budget for the assessor department expenditures was increased by \$11,600 to account for the additional quarterly contract payment made at the beginning of the fiscal year, for services from the prior fiscal year.
- The budget for building and grounds expenditures was increased by \$10,000 to accommodate for a planned building HVAC repair project that ended up taking place in early July.
- The budget for tax tribunal expenditures was increased by \$46,000 to accommodate for an MTT appeal made by Walmart that resulted in the City reimbursing Walmart for two years worth of valuation decrease.
- The budget for public safety expenditures was increased by \$82,370 to accommodate an increase of \$37,000 in the department's health insurance costs due to two officers joining the city's program, and \$30,000 in retirement benefit costs to reflect the increase in wages since costs are allocated by a variable formula. The department created a new School Resource Officer position in coordination with Fremont Public Schools, so equipment costs were adjusted as well as 70% reimbursement of all costs related to the new position.
- The budget for airport operations expenditures was increased by \$31,500 to reflect increased airport fuel needs requiring the purchase of additional fuel.
- The budget for other governmental functions expenditures was increased by \$65,512 to account for the addition of two new full-time employees electing to join the City's health insurance program, which also required additional retirement benefit payments to the MERS program.

The most significant variances between final amended budget and actual for the general fund were:

- Actual costs for the police department exceeded its final amended budget by \$43,449. The reason for this variance was to accommodate final payout of accrued sick and vacation time to a retiring employee.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

- Actual costs for building and grounds was under its final amended budget by \$62,759. This variance was due to the project being postponed to early July.

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, 2023 totaled \$24,100,395 (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	
	2023	2022	2023	2022	2023	2022
Land	\$ 3,123,703	\$ 3,168,703	\$ 240,698	\$ 240,698	\$ 3,364,401	\$ 3,409,401
Construction in progress	417,780	77,668	224,895	191,903	642,675	269,571
Land improvements	602,670	686,066	-	-	602,670	686,066
Buildings and improvements	616,269	747,702	-	-	616,269	747,702
Utility systems	-	-	8,519,876	8,752,681	8,519,876	8,752,681
Vehicles and equipment	1,270,396	1,282,899	97,249	88,322	1,367,645	1,371,221
Infrastructure	8,986,859	9,313,060	-	-	8,986,859	9,313,060
Total capital assets, net	\$ 15,017,677	\$ 15,276,098	\$ 9,082,718	\$ 9,273,604	\$ 24,100,395	\$ 24,549,702

Current year additions for governmental activities include an increase in construction in progress of \$340,000 mainly comprised of an airport taxiway rehabilitation project. The City experienced additional engineering fees related to the planned wastewater lagoon expansion project.

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

Long-term Debt. As of June 30, 2023, the City had outstanding long-term debt of \$457,694 consisting of an installment purchase agreement and compensated absences (accrued sick and vacation pay). Long-term debt balances decreased by \$139,356 primarily due to current year repayments.

	General Obligation and Revenue Bonds					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Installment purchase agreement	\$ 71,203	\$ 140,225	\$ -	\$ -	\$ 71,203	\$ 140,225
Compensated absences	338,047	402,788	48,444	54,037	386,491	456,825
Total long-term debt	\$ 409,250	\$ 543,013	\$ 48,444	\$ 54,037	\$ 457,694	\$ 597,050

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

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Economic Factors and Next Year's Budget and Rates

The General Fund operating budget for fiscal year 2023/24 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 \$750,000 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 2023/24 actually increased by 3.4% (\$172,442), mainly reflected by an increase in transfers out to the Local Street Fund to help cover construction projects for a new street project to accommodate a proposed new housing development.

The City was awarded additional federal funding last 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.

Following an engineering analysis of the City's Sewer Wastewater Lagoon Operations, depicting 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 fall 2023. Improvements to the Wastewater Lagoon Treatment System are estimated to cost up to \$6 million, of which the City is preparing for the letting of municipal bonds.

The City budgeted more conservatively again this year, acknowledging decreases or flatness in some state revenues due to continuation of the pandemic, anticipating continued decrease and/or flatness of those revenues in the coming months.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF FREMONT, MICHIGAN

Statement of Net Position

June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 3,598,322	\$ 2,287,443	\$ 5,885,765	\$ 219,332
Receivables	458,568	413,443	872,011	50,544
Capital assets not being depreciated	3,541,483	465,593	4,007,076	-
Capital assets being depreciated, net	<u>11,476,194</u>	<u>8,617,125</u>	<u>20,093,319</u>	<u>-</u>
Total assets	<u>19,074,567</u>	<u>11,783,604</u>	<u>30,858,171</u>	<u>269,876</u>
Deferred outflows of resources				
Deferred pension amounts	<u>1,868,709</u>	<u>720,606</u>	<u>2,589,315</u>	<u>-</u>
Liabilities				
Accounts payable and accrued liabilities	245,786	25,881	271,667	41,342
Unearned revenue	417,249	-	417,249	-
Notes and other long-term liabilities:				
Due within one year	160,203	48,444	208,647	-
Due in more than one year	249,047	-	249,047	-
Net pension liability (due in more than one year)	<u>5,422,299</u>	<u>2,090,933</u>	<u>7,513,232</u>	<u>-</u>
Total liabilities	<u>6,494,584</u>	<u>2,165,258</u>	<u>8,659,842</u>	<u>41,342</u>
Deferred inflows of resources				
Deferred pension amounts	43,386	16,730	60,116	-
Deferred lease amounts	<u>80,517</u>	<u>-</u>	<u>80,517</u>	<u>-</u>
Total deferred inflows of resources	<u>123,903</u>	<u>16,730</u>	<u>140,633</u>	<u>-</u>
Net position				
Net investment in capital assets	14,946,474	9,082,718	24,029,192	-
Restricted for:				
Streets and highways	1,214,548	-	1,214,548	-
Perpetual care (non-expendable)	374,235	-	374,235	-
Unrestricted (deficit)	<u>(2,210,468)</u>	<u>1,239,504</u>	<u>(970,964)</u>	<u>228,534</u>
Total net position	<u>\$ 14,324,789</u>	<u>\$ 10,322,222</u>	<u>\$ 24,647,011</u>	<u>\$ 228,534</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Activities For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 840,189	\$ 60,902	\$ 14,043	\$ -	\$ (765,244)
Public safety	2,832,989	233,210	132,956	-	(2,466,823)
Public works	2,030,874	409,470	760,086	96,620	(764,698)
Community and economic development	195,081	150	-	-	(194,931)
Culture and recreation	313,470	269,968	-	29,615	(13,887)
Airport operations	173,561	174,140	-	212,332	212,911
Interest on long-term debt	3,159	-	-	-	(3,159)
Total governmental activities	<u>6,389,323</u>	<u>1,147,840</u>	<u>907,085</u>	<u>338,567</u>	<u>(3,995,831)</u>
Business-type activities:					
Sewer	684,568	590,896	16,878	-	(76,794)
Water	845,983	752,518	19,551	-	(73,914)
Total business-type activities	<u>1,530,551</u>	<u>1,343,414</u>	<u>36,429</u>	<u>-</u>	<u>(150,708)</u>
Total primary government	<u><u>\$ 7,919,874</u></u>	<u><u>\$ 2,491,254</u></u>	<u><u>\$ 943,514</u></u>	<u><u>\$ 338,567</u></u>	<u><u>\$ (4,146,539)</u></u>
Component units					
Downtown Development Authority	\$ 422,861	\$ 25,547	\$ 164,037	\$ -	\$ (233,277)
Local Development Finance Authority	-	-	-	-	-
Fremont Community Joint Planning Commission	6,715	5,929	5,071	-	4,285
Total component units	<u><u>\$ 429,576</u></u>	<u><u>\$ 31,476</u></u>	<u><u>\$ 169,108</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (228,992)</u></u>

continued...

CITY OF FREMONT, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2023

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (3,995,831)	\$ (150,708)	\$ (4,146,539)	\$ (228,992)
General revenues:				
Property taxes	2,261,745	-	2,261,745	295,555
Licenses and permits	92,511	-	92,511	-
Grants and contributions not restricted to specific programs	899,861	-	899,861	-
Gain on sale of capital assets	523,585	-	523,585	-
Unrestricted investment earnings	60,305	-	60,305	2,971
Miscellaneous	18,529	-	18,529	10,755
Total general revenues	3,856,536	-	3,856,536	309,281
Change in net position	(139,295)	(150,708)	(290,003)	80,289
Net position, beginning of year	14,464,084	10,472,930	24,937,014	148,245
Net position, end of year	<u>\$ 14,324,789</u>	<u>\$ 10,322,222</u>	<u>\$ 24,647,011</u>	<u>\$ 228,534</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, 2023

	General Fund	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Pooled cash and investments	\$ 1,039,130	\$ 589,824	\$ 1,254,915	\$ 2,883,869
Receivables:				
Accounts	133,583	-	-	133,583
Special assessments	-	-	4,831	4,831
Due from other governments	95,862	100,129	29,852	225,843
Leases	94,311	-	-	94,311
Total assets	<u>\$ 1,362,886</u>	<u>\$ 689,953</u>	<u>\$ 1,289,598</u>	<u>\$ 3,342,437</u>
Liabilities				
Accounts payable	\$ 73,203	\$ 11,115	\$ 5,602	\$ 89,920
Accrued liabilities	40,819	395	1,574	42,788
Unearned revenue	395,620	-	21,629	417,249
Total liabilities	<u>509,642</u>	<u>11,510</u>	<u>28,805</u>	<u>549,957</u>
Deferred inflows of resources				
Unavailable revenue - special assessments	-	-	4,831	4,831
Deferred lease amounts	80,517	-	-	80,517
Total deferred inflows of resources	<u>80,517</u>	<u>-</u>	<u>4,831</u>	<u>85,348</u>
Fund balances				
Nonspendable	-	-	374,235	374,235
Restricted	-	678,443	536,105	1,214,548
Committed	-	-	345,622	345,622
Unassigned	772,727	-	-	772,727
Total fund balances	<u>772,727</u>	<u>678,443</u>	<u>1,255,962</u>	<u>2,707,132</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,362,886</u>	<u>\$ 689,953</u>	<u>\$ 1,289,598</u>	<u>\$ 3,342,437</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, 2023

Fund balances - total governmental funds	\$ 2,707,132
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	3,541,483
Capital assets being depreciated, net	11,476,194
Less: capital assets being accounted for in internal service funds	(1,470,430)
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.	
	4,831
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	2,000,602
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences payable	(338,047)
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	(5,422,299)
Deferred outflows related to the net pension liability	1,868,709
Deferred inflows related to the net pension liability	<u>(43,386)</u>
Net position of governmental activities	<u>\$ 14,324,789</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, 2023

	General Fund	Major Streets	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 2,261,745	\$ -	\$ -	\$ 2,261,745
Special assessments	-	-	25,858	25,858
Licenses and permits	92,511	-	-	92,511
Intergovernmental:				
State	899,861	512,379	230,491	1,642,731
Local	-	-	50,000	50,000
Charges for services	1,061,245	71,069	10,275	1,142,589
Fines and forfeitures	5,251	-	-	5,251
Investment earnings	60,305	8,768	14,185	83,258
Other	181,100	-	-	181,100
Total revenues	4,562,018	592,216	330,809	5,485,043
Expenditures				
Current:				
General government	706,210	-	-	706,210
Public safety	1,795,474	-	-	1,795,474
Public works	825,462	342,715	481,943	1,650,120
Community and economic development	98,073	-	25,547	123,620
Culture and recreation	198,799	-	-	198,799
Airport operations	173,561	-	-	173,561
Other governmental functions	928,764	-	-	928,764
Capital outlay	-	-	12,460	12,460
Total expenditures	4,726,343	342,715	519,950	5,589,008
Revenues over (under) expenditures	(164,325)	249,501	(189,141)	(103,965)
Other financing sources (uses)				
Proceeds from sales of capital assets	507,191	-	-	507,191
Transfers in	9,940	-	338,270	348,210
Transfers out	(138,270)	(200,000)	(9,940)	(348,210)
Total other financing sources (uses)	378,861	(200,000)	328,330	507,191
Net change in fund balances	214,536	49,501	139,189	403,226
Fund balances, beginning of year	558,191	628,942	1,116,773	2,303,906
Fund balances, end of year	\$ 772,727	\$ 678,443	\$ 1,255,962	\$ 2,707,132

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, 2023

Net change in fund balances - total governmental funds	\$ 403,226
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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	233,404
Purchase/construction of capital assets	967,418
Less: purchase/construction of capital assets being accounted for in internal service funds	(316,671)
Depreciation expense	(1,414,243)
Less: depreciation expense being accounted for in internal service funds	234,515
Proceeds from sales of capital assets	(507,191)
Gain on sale of capital assets	462,191

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	17,634
Investment income from governmental activities internal service funds	8,306
Gain on sale of capital assets accounted for in internal service funds	61,394
Interest expense from governmental activities internal service funds	(3,159)

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	(310)
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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	(350,550)
Change in compensated absences	<u>64,741</u>

Change in net position of governmental activities	<u>\$ (139,295)</u>
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The accompanying notes are an integral part of these basic financial statements.

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 2,275,080	\$ 2,275,080	\$ 2,261,745	\$ (13,335)
Licenses and permits	88,950	88,950	92,511	3,561
Intergovernmental:				
Federal	213,524	-	-	-
State	736,305	899,829	899,861	32
Charges for services	995,350	1,060,350	1,061,245	895
Fines and forfeitures	5,500	5,500	5,251	(249)
Investment earnings	10,000	30,000	60,305	30,305
Other	90,500	115,500	181,100	65,600
Total revenues	4,415,209	4,475,209	4,562,018	86,809
Expenditures				
Current:				
General government:				
Legislative	15,525	17,925	16,761	(1,164)
Executive	99,750	101,350	101,238	(112)
Elections	7,070	7,070	6,629	(441)
General administration	18,500	18,500	2,965	(15,535)
Clerk	91,125	92,625	90,220	(2,405)
Treasurer	46,215	46,215	46,978	763
Assessor	43,995	55,595	44,948	(10,647)
Cemetery	162,800	162,800	156,784	(6,016)
Attorney	25,000	25,000	20,175	(4,825)
Building and grounds	181,500	191,500	128,741	(62,759)
Public relations	37,075	40,075	44,735	4,660
Tax tribunal	500	46,500	46,036	(464)
Total general government	729,055	805,155	706,210	(98,945)
Public safety:				
Police department	1,315,745	1,396,115	1,439,564	43,449
Fire department	357,960	359,960	355,910	(4,050)
Total public safety	1,673,705	1,756,075	1,795,474	39,399
Public works:				
Department of public works	466,750	469,250	447,841	(21,409)
Refuse and recycling	318,935	336,935	341,268	4,333
Yard waste	35,900	37,400	36,353	(1,047)
Total public works	821,585	843,585	825,462	(18,123)

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (concluded):				
Community and economic development:				
Planning and zoning	\$ 90,326	\$ 95,711	\$ 71,969	\$ (23,742)
Community development	22,110	26,310	26,104	(206)
Total community and economic development	<u>112,436</u>	<u>122,021</u>	<u>98,073</u>	<u>(23,948)</u>
Culture and recreation:				
Parks and recreation	174,370	182,870	198,799	15,929
Airport operations	<u>169,730</u>	<u>201,230</u>	<u>173,561</u>	<u>(27,669)</u>
Other governmental functions:				
Employee fringe benefits and other items	<u>877,200</u>	<u>942,712</u>	<u>928,764</u>	<u>(13,948)</u>
Total expenditures	4,558,081	4,853,648	4,726,343	(127,305)
Revenues over (under) expenditures	<u>(142,872)</u>	<u>(378,439)</u>	<u>(164,325)</u>	<u>214,114</u>
Other financing sources (uses)				
Proceeds from sales of capital assets	479,800	504,800	507,191	2,391
Transfers in	-	9,940	9,940	-
Transfers out	<u>(215,000)</u>	<u>(138,270)</u>	<u>(138,270)</u>	<u>-</u>
Total other financing sources (uses)	264,800	376,470	378,861	2,391
Net change in fund balance	121,928	(1,969)	214,536	216,505
Fund balance, beginning of year	<u>558,191</u>	<u>558,191</u>	<u>558,191</u>	<u>-</u>
Fund balance, end of year	\$ 680,119	\$ 556,222	\$ 772,727	\$ 216,505

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 465,000	\$ 477,000	\$ 512,379	\$ 35,379
Charges for services	70,000	70,000	71,069	1,069
Investment earnings	5,000	5,000	8,768	3,768
Total revenues	540,000	552,000	592,216	40,216
Expenditures				
Current:				
Public works:				
Construction	275,000	190,000	198,885	8,885
Routine maintenance	58,900	82,900	68,037	(14,863)
Traffic services	9,950	11,450	9,857	(1,593)
Snow & ice control	23,385	23,385	16,419	(6,966)
Trunkline maintenance	65,000	65,000	49,517	(15,483)
Total expenditures	432,235	372,735	342,715	(30,020)
Revenues over (under) expenditures	107,765	179,265	249,501	70,236
Other financing uses				
Transfers out	(115,000)	(200,000)	(200,000)	-
Net change in fund balance	(7,235)	(20,735)	49,501	70,236
Fund balance, beginning of year	628,942	628,942	628,942	-
Fund balance, end of year	\$ 621,707	\$ 608,207	\$ 678,443	\$ 70,236

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

CITY OF FREMONT, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Assets				
Current assets:				
Pooled cash and investments	\$ 1,117,555	\$ 1,169,888	\$ 2,287,443	\$ 714,453
Accounts receivable	178,486	234,957	413,443	-
Total current assets	<u>1,296,041</u>	<u>1,404,845</u>	<u>2,700,886</u>	<u>714,453</u>
Noncurrent assets:				
Capital assets, net:				
Land	228,972	11,726	240,698	-
Buildings	-	-	-	632,455
Utility systems	10,951,310	8,559,249	19,510,559	-
Equipment	233,279	87,466	320,745	4,064,882
Construction in progress	224,895	-	224,895	113,614
Accumulated depreciation	(7,384,952)	(3,829,227)	(11,214,179)	(3,340,521)
Total noncurrent assets	<u>4,253,504</u>	<u>4,829,214</u>	<u>9,082,718</u>	<u>1,470,430</u>
Total assets	<u>5,549,545</u>	<u>6,234,059</u>	<u>11,783,604</u>	<u>2,184,883</u>
Deferred outflows of resources				
Deferred pension amounts	<u>337,905</u>	<u>382,701</u>	<u>720,606</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	4,783	10,901	15,684	110,970
Accrued liabilities	4,799	5,398	10,197	795
Accrued interest payable	-	-	-	1,313
Current portion of long-term debt	28,600	19,844	48,444	71,203
Total current liabilities	<u>38,182</u>	<u>36,143</u>	<u>74,325</u>	<u>184,281</u>
Noncurrent liabilities:				
Net pension liability	<u>980,477</u>	<u>1,110,456</u>	<u>2,090,933</u>	<u>-</u>
Total liabilities	<u>1,018,659</u>	<u>1,146,599</u>	<u>2,165,258</u>	<u>184,281</u>
Deferred inflows of resources				
Deferred pension amounts	<u>7,845</u>	<u>8,885</u>	<u>16,730</u>	<u>-</u>
Net position				
Net investment in capital assets	4,253,504	4,829,214	9,082,718	1,399,227
Unrestricted	607,442	632,062	1,239,504	601,375
Total net position	<u>\$ 4,860,946</u>	<u>\$ 5,461,276</u>	<u>\$ 10,322,222</u>	<u>\$ 2,000,602</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Revenues				
Charges for services	\$ 590,896	\$ 752,518	\$ 1,343,414	\$ 522,691
Operating expenses				
Administration	145,012	126,828	271,840	62,376
Operations	343,053	540,270	883,323	208,166
Depreciation	196,503	178,885	375,388	234,515
Total operating expenses	684,568	845,983	1,530,551	505,057
Operating income (loss)	(93,672)	(93,465)	(187,137)	17,634
Nonoperating revenues (expenses)				
Investment income	16,878	19,551	36,429	8,306
Gain on sale of capital assets	-	-	-	61,394
Interest expense	-	-	-	(3,159)
Total nonoperating revenues	16,878	19,551	36,429	66,541
Change in net position	(76,794)	(73,914)	(150,708)	84,175
Net position, beginning of year	4,937,740	5,535,190	10,472,930	1,916,427
Net position, end of year	\$ 4,860,946	\$ 5,461,276	\$ 10,322,222	\$ 2,000,602

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, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Sewer		Water	Total	Internal Service Fund
Cash flows from operating activities					
Receipts from customers	\$ 579,836	\$ 708,088	\$ 1,287,924	\$ -	
Receipts from interfund services provided	-	-	-	522,691	
Payments to and refunds received from suppliers	(91,562)	(194,052)	(285,614)	(100,208)	
Payments to or on behalf of employees	(391,546)	(462,840)	(854,386)	(61,932)	
Payments for interfund services used	(12,514)	(54,497)	(67,011)	-	
Net cash provided by (used in) operating activities	84,214	(3,301)	80,913	360,551	
Cash flows from capital and related financing activities					
Principal payments on long-term debt	-	-	-	-	(69,022)
Interest paid on long-term debt	-	-	-	-	(4,431)
Purchase of capital assets	(54,562)	(129,940)	(184,502)	(316,671)	
Proceeds from sales of capital assets	-	-	-	-	61,394
Net cash provided by (used in) capital and related financing activities	(54,562)	(129,940)	(184,502)	(328,730)	
Cash flows from investing activities					
Interest received	16,878	19,551	36,429	8,306	
Net change in pooled cash and investments	46,530	(113,690)	(67,160)	40,127	
Pooled cash and investments, beginning of year	1,071,025	1,283,578	2,354,603	674,326	
Pooled cash and investments, end of year	\$ 1,117,555	\$ 1,169,888	\$ 2,287,443	\$ 714,453	
Cash flows from operating activities					
Operating income (loss)	\$ (93,672)	\$ (93,465)	\$ (187,137)	\$ 17,634	
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	196,503	178,885	375,388	234,515	
Changes in assets, deferred outflows/inflows of resources, and liabilities that provided (used) cash:					
Accounts receivable	(11,060)	(44,430)	(55,490)	-	
Accounts payable	1,915	2,649	4,564	107,958	
Accrued liabilities	1,815	1,862	3,677	444	
Compensated absences	(2,575)	(3,018)	(5,593)	-	
Net pension liability	230,565	220,269	450,834	-	
Deferred outflows for pension	(125,284)	(130,309)	(255,593)	-	
Deferred inflows for pension	(113,993)	(135,744)	(249,737)	-	
Net cash provided by (used in) operating activities	\$ 84,214	\$ (3,301)	\$ 80,913	\$ 360,551	

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, 2023

	Other Post- Employment Benefits Trust	Custodial Fund
Assets		
Pooled cash and investments	\$ -	\$ 70,931
Investments - MERS total market portfolio	<u>127,229</u>	<u>-</u>
Total assets	127,229	70,931
Liabilities		
Undistributed receipts	<u>-</u>	<u>70,931</u>
Net position		
Restricted for:		
Other postemployment benefits	<u>\$ 127,229</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, 2023

	Other Post- Employment Benefits Trust	Custodial Fund
Additions		
Property taxes collected for other governmental units	\$ -	\$ 6,303,939
Employer contributions	15,000	-
Investment earnings	8,013	-
Total additions	<u>23,013</u>	<u>6,303,939</u>
Deductions		
Property taxes distributed to other governmental units	-	6,303,939
Administrative expenses	207	-
Total deductions	<u>207</u>	<u>6,303,939</u>
Change in net position	22,806	-
Net position, beginning of year	<u>104,423</u>	<u>-</u>
Net position, end of year	<u>\$ 127,229</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, 2023

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Assets				
Cash and investments	\$ 209,757	\$ 4,786	\$ 4,789	\$ 219,332
Receivables	<u>44,615</u>	<u>-</u>	<u>5,929</u>	<u>50,544</u>
Total assets	254,372	4,786	10,718	269,876
Liabilities				
Accounts payable and accrued liabilities	<u>41,261</u>	<u>-</u>	<u>81</u>	<u>41,342</u>
Net position				
Unrestricted	<u>\$ 213,111</u>	<u>\$ 4,786</u>	<u>\$ 10,637</u>	<u>\$ 228,534</u>

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

CITY OF FREMONT, MICHIGAN

Combining Statement of Activities

Discretely Presented Component Units
For the Year Ended June 30, 2023

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Expenses				
Downtown Development Authority	\$ 422,861	\$ -	\$ -	\$ 422,861
Fremont Community Joint Planning Commission	<u>-</u>	<u>-</u>	<u>6,715</u>	<u>6,715</u>
Total expenses	<u>422,861</u>	<u>-</u>	<u>6,715</u>	<u>429,576</u>
Program revenues				
Charges for services	25,547	-	5,929	31,476
Operating grants and contributions	<u>164,037</u>	<u>-</u>	<u>5,071</u>	<u>169,108</u>
Total program revenues	<u>189,584</u>	<u>-</u>	<u>11,000</u>	<u>200,584</u>
Net (expense) revenue	<u>(233,277)</u>	<u>-</u>	<u>4,285</u>	<u>(228,992)</u>
General revenues				
Property taxes	295,555	-	-	295,555
Unrestricted investment earnings	2,731	56	184	2,971
Miscellaneous	<u>10,755</u>	<u>-</u>	<u>-</u>	<u>10,755</u>
Total general revenues	<u>309,041</u>	<u>56</u>	<u>184</u>	<u>309,281</u>
Change in net position	75,764	56	4,469	80,289
Net position, beginning of year	<u>137,347</u>	<u>4,730</u>	<u>6,168</u>	<u>148,245</u>
Net position, end of year	<u><u>\$ 213,111</u></u>	<u><u>\$ 4,786</u></u>	<u><u>\$ 10,637</u></u>	<u><u>\$ 228,534</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, 2023. 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.

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.

Leases

Lessor. The City is a lessor for a noncancelable lease of land and buildings. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses a risk-free rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Capital Assets

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

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

Depreciation on capital assets (including infrastructure) of the primary government is computed using the straight-line method over the following estimated useful lives:

	Years
Land improvements	20
Buildings and improvements	10-50
Infrastructure	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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Long-term Obligations

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

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

Deferred Inflows of Resources

In addition to liabilities, the 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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Fund Equity

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

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

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

Interfund Transactions

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

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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2023, 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:			
Treasurer	\$ 46,215	\$ 46,978	\$ 763
Public relations	40,075	44,735	4,660
Public safety:			
Police department	1,396,115	1,439,564	43,449
Public works:			
Refuse and recycling	336,935	341,268	4,333
Culture and recreation:			
Parks and recreation	182,870	198,799	15,929
Major streets fund:			
Public works:			
Construction	190,000	198,885	8,885
Local improvement fund:			
Community and economic development	25,520	25,547	27

3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2023:

	Primary Government	Component Units	Fiduciary Funds	Total
Pooled cash and investments	\$ 5,885,765	\$ 219,332	\$ 70,931	\$ 6,176,028
Investments	<hr/> -	<hr/> -	<hr/> 127,229	<hr/> 127,229
	<hr/> <u>\$ 5,885,765</u>	<hr/> <u>\$ 219,332</u>	<hr/> <u>\$ 198,160</u>	<hr/> <u>\$ 6,303,257</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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Cash and investments are composed of the following at June 30, 2023:

Checking/savings accounts	\$ 2,910,314
Certificates of deposit:	
Due within one year	1,353,676
Investments	2,038,967
Petty cash	<u>300</u>
Total cash and investments	<u>\$ 6,303,257</u>

Statutory Authority

State statutes authorize the City to invest in:

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

The City chooses to disclose its investments by specifically identifying each. As of June 30, 2023, the City had the following investments:

Investment	Maturity	Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 1,450,131	AAAm (S&P)
Money market account	N/A	7,174	N/A
U.S. Treasury Bills	10/19/2023	254,957	N/A
U.S. Government Bonds	1/10/2024	199,476	N/A
MERS total market portfolio	N/A	<u>127,229</u>	N/A
Total investments		<u>\$ 2,038,967</u>	

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned. State law does not require, and the City does not have, a policy for deposit custodial credit risk. The City minimizes this risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors to be in compliance with the requirements set forth in the City’s investment policy. As of year-end, \$3,570,578 of the City’s bank balance of \$4,520,140 was exposed to custodial credit risk because it was uninsured and uncollateralized.

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

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

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. These levels are determined by the City’s finance director and are determined at the fund level based on a review of the investment’s class, structure, and what kind of securities are held in the funds. The finance director will request the information from the fund manager, if necessary.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

The City had the following recurring fair value measurements as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Money market account	\$ 7,174	\$ -	\$ -	\$ 7,174
U.S. Treasury Bills	-	254,957	-	254,957
U.S. Government Bonds	-	199,476	-	199,476
MERS total market portfolio	<u>127,229</u>	<u>-</u>	<u>-</u>	<u>127,229</u>
Total	<u>\$ 134,403</u>	<u>\$ 454,433</u>	<u>\$ -</u>	<u>588,836</u>
Investments carried at net asset value:				
Michigan CLASS government investment pool				<u>1,450,131</u>
				<u><u>\$ 2,038,967</u></u>

At June 30, 2023, the City's investments in U.S. Treasury Bills and U.S. Government Bonds 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.

At year end, the net asset value of the City's investment in the Michigan CLASS government investment pool was \$1,450,131. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

4. RECEIVABLES

At June 30, 2023, the City's receivables consisted of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 133,583	\$ 413,443	\$ -
Special assessments	4,831	-	-
Due from other governments	225,843	-	-
Leases	94,311	-	-
Notes	-	-	50,544
Total	\$ 458,568	\$ 413,443	\$ 50,544

Of the amounts reported above, \$70,841 of the leases receivable reported in the governmental activities and \$26,560 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, 2023, the City's accounts payable and accrued liabilities were as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 200,890	\$ 15,684	\$ 41,342
Accrued liabilities	43,583	10,197	-
Accrued interest payable	1,313	-	-
Total	\$ 245,786	\$ 25,881	\$ 41,342

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 assets at the end of the term and the noncancelable term of the agreements surpasses one year. Total lease inflows for the year ended June 30, 2023 was \$40,541.

Asset Type	Remaining Term of Agreements			
	Beginning Balance	Additions	Deductions	Ending Balance
Land			3 to 5 years	
Buildings			9 years	
Leases receivable	\$ 134,852	\$ -	\$ (40,541)	\$ 94,311

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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Governmental activities

Capital assets, not being depreciated:

Land	\$ 3,168,703	\$ -	\$ (45,000)	\$ -	\$ 3,123,703
Construction in progress	77,668	618,458	-	(278,346)	417,780
	<u>3,246,371</u>	<u>618,458</u>	<u>(45,000)</u>	<u>(278,346)</u>	<u>3,541,483</u>

Capital assets, being depreciated:

Land improvements	1,901,372	-	-	-	1,901,372
Buildings and improvements	4,753,498	-	-	-	4,753,498
Vehicles and equipment	5,067,893	223,040	(122,157)	-	5,168,776
Infrastructure	25,366,613	359,324	-	278,346	26,004,283
	<u>37,089,376</u>	<u>582,364</u>	<u>(122,157)</u>	<u>278,346</u>	<u>37,827,929</u>

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CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities (concluded)					
Less accumulated depreciation for:					
Land improvements	\$ (1,215,306)	\$ (83,396)	\$ -	\$ -	\$ (1,298,702)
Buildings and improvements	(4,005,796)	(131,433)	-	-	(4,137,229)
Vehicles and equipment	(3,784,994)	(235,543)	122,157	-	(3,898,380)
Infrastructure	<u>(16,053,553)</u>	<u>(963,871)</u>	<u>-</u>	<u>-</u>	<u>(17,017,424)</u>
	<u>(25,059,649)</u>	<u>(1,414,243)</u>	<u>122,157</u>	<u>-</u>	<u>(26,351,735)</u>
Total capital assets being depreciated, net	<u>12,029,727</u>	<u>(831,879)</u>	<u>-</u>	<u>278,346</u>	<u>11,476,194</u>
Governmental activities capital assets, net	\$ 15,276,098	\$ (213,421)	\$ (45,000)	\$ -	\$ 15,017,677

concluded

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

Governmental activities

General government	\$ 157,408
Public safety	514,398
Public works	415,550
Community and economic development	35,417
Culture and recreation	56,955
Depreciation charged to Internal Service Funds	<u>234,515</u>
	<u><u>\$ 1,414,243</u></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	191,903	32,992	-	-	224,895
	<u>432,601</u>	<u>32,992</u>	<u>-</u>	<u>-</u>	<u>465,593</u>
Capital assets, being depreciated:					
Utility systems	19,380,619	129,940	-	-	19,510,559
Equipment	299,175	21,570	-	-	320,745
	<u>19,679,794</u>	<u>151,510</u>	<u>-</u>	<u>-</u>	<u>19,831,304</u>
Less accumulated depreciation for:					
Utility systems	(10,627,938)	(362,745)	-	-	(10,990,683)
Equipment	(210,853)	(12,643)	-	-	(223,496)
	<u>(10,838,791)</u>	<u>(375,388)</u>	<u>-</u>	<u>-</u>	<u>(11,214,179)</u>
Total capital assets being depreciated, net	<u>8,841,003</u>	<u>(223,878)</u>	<u>-</u>	<u>-</u>	<u>8,617,125</u>
Business-type activities capital assets, net	<u>\$ 9,273,604</u>	<u>\$ (190,886)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,082,718</u>

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

Business-type activities

Sewer	\$ 196,503
Water	<u>178,885</u>
	<u>\$ 375,388</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

8. NOTES AND OTHER LONG-TERM LIABILITIES

The following is a summary of the notes and other liabilities transactions for the City during the year ended June 30, 2023:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Direct borrowings and direct placements:					
Fire truck installment purchase agreement due in annual installments of \$73,453 including interest at 3.16%	\$ 140,225	\$ -	\$ (69,022)	\$ 71,203	\$ 71,203
Compensated absences	<u>402,788</u>	<u>23,804</u>	<u>(88,545)</u>	<u>338,047</u>	<u>89,000</u>
Total governmental activities	<u><u>\$ 543,013</u></u>	<u><u>\$ 23,804</u></u>	<u><u>\$ (88,545)</u></u>	<u><u>\$ 409,250</u></u>	<u><u>\$ 160,203</u></u>
Business-type activities					
Compensated absences	<u>\$ 54,037</u>	<u>\$ 4,502</u>	<u>\$ (10,095)</u>	<u>\$ 48,444</u>	<u>\$ 48,444</u>

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

Governmental Activities		
Direct Borrowings and Direct Placements		
Year Ended June 30,	Principal	Interest
2024	<u>\$ 71,203</u>	<u>\$ 4,431</u>

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

9. INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2023 is as follows:

Transfers out	Transfers In			Total
	General Fund	Nonmajor Governmental Funds		
General Fund	\$ -	\$ 138,270	\$ 138,270	
Major Streets Fund	-	200,000		200,000
Funds	<u>9,940</u>	-		<u>9,940</u>
	<u>\$ 9,940</u>	<u>\$ 338,270</u>	<u>\$ 348,210</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.

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	\$ -	\$ -	\$ 374,235	\$ 374,235
Restricted:				
Highways and streets	-	678,443	536,105	1,214,548
Committed:				
Capital projects	-	-	345,622	345,622
Unassigned	<u>772,727</u>	-	-	<u>772,727</u>
Total fund balances, governmental funds	\$ 772,727	\$ 678,443	\$ 1,255,962	\$ 2,707,132

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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.

12. RISK MANAGEMENT

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

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

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

13. PENSION PLANS

General Information About the Plan

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

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

Employees Covered by Benefit Terms. At the December 31, 2022 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>26</u>
Total membership	<u>63</u>

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

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2023:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - General	\$39,650/month	0.00%	Closed
02 - Police/Fire	\$14,839/month	3.50%	Closed
03 - Gnr1 12/12 & Pol/Fi 7/16	\$4,849/month	0.00%	Open
20 - Pol/Fi aft 7/16	\$1,735/month	7.00%	Open

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Net Pension Liability. The City's net pension liability was measured as of December 31, 2022, 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, 2022 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
- 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, 2022 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	<u>20.0%</u>	7.00%	1.40%
	<u><u>100.0%</u></u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.25%</u></u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2022 was 7.25%. 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, 2021	<u>\$ 16,767,290</u>	<u>\$ 11,433,637</u>	<u>\$ 5,333,653</u>
Changes for the year:			
Service cost	226,589	-	226,589
Interest	1,191,512	-	1,191,512
Differences between expected and actual experience	200,741	-	200,741
Changes in assumptions	-	-	-
Employer contributions	-	692,672	(692,672)
Employee contributions	-	24,719	(24,719)
Net investment loss	-	(1,257,261)	1,257,261
Benefit payments, including refunds of employee contributions	(891,872)	(891,872)	-
Administrative expense	-	(20,867)	20,867
Net changes	<u>726,970</u>	<u>(1,452,609)</u>	<u>2,179,579</u>
Balances at December 31, 2022	<u>\$ 17,494,260</u>	<u>\$ 9,981,028</u>	<u>\$ 7,513,232</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 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%)
\$ 9,654,204	\$ 7,513,232	\$ 5,724,897

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, 2023, the City recognized pension expense of \$1,328,224. 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	\$ 271,873	\$ 60,116	\$ 211,757
Changes in assumptions	643,256	-	643,256
Net difference between projected and actual earnings on pension plan investments	1,007,748	-	1,007,748
	1,922,877	60,116	1,862,761
Contributions subsequent to the measurement date	666,438	-	666,438
Total	\$ 2,589,315	\$ 60,116	\$ 2,529,199

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, 2024. 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
2024	\$ 492,527
2025	493,900
2026	460,511
2027	415,823
Total	\$ 1,862,761

Payable to the Pension Plan. At June 30, 2023, 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, 2023, 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, 2023, the corporation's billings for utilities approximated 25% of total combined billings in the Sewer and Water funds. This corporation also accounts for 22% of year-end accounts receivable.

16. TAX ABATEMENTS

The City received reduced property tax revenues during 2023 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 \$31,000 in reduced City tax revenues for 2023.

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, 2023, were as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,541,483	\$ 465,593
Capital assets being depreciated, net	11,476,194	8,617,125
	<hr/>	<hr/>
	15,017,677	9,082,718
Related debt:		
Installment purchase agreements	71,203	-
	<hr/>	<hr/>
Net investment in capital assets	\$ 14,946,474	\$ 9,082,718

18. SUBSEQUENT EVENT

On September 19, 2023, the City issued \$6,065,000 of 2023 Capital Improvement Bonds (Limited Tax General Obligation). The proceeds from the bond sale are to be used to fund improvements to the City's sanitary sewer system and wastewater treatment facility. The bonds will be paid in annual installments of \$195,000 to \$370,000, with interest paid semi-annually at 4.0% to 5.0% through 2039.

19. 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.



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,			
	2023	2022	2021	2020
Total pension liability				
Service cost	\$ 226,589	214,102	\$ 201,583	\$ 181,805
Interest	1,191,512	1,167,441	1,077,328	1,064,790
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	200,741	(86,718)	303,294	(40,422)
Changes in assumptions	-	641,741	424,314	442,434
Benefit payments, including refunds of employee contributions	(891,872)	(846,575)	(807,602)	(778,394)
Other changes	-	-	-	-
Net change in total pension liability	726,970	1,089,991	1,198,917	870,213
Total pension liability, beginning of year	<u>16,767,290</u>	<u>15,677,299</u>	<u>14,478,382</u>	<u>13,608,169</u>
Total pension liability, end of year	<u>17,494,260</u>	<u>16,767,290</u>	<u>15,677,299</u>	<u>14,478,382</u>
Plan fiduciary net position				
Employer contributions	692,672	934,319	876,263	1,109,004
Employee contributions	24,719	24,372	22,974	21,827
Net investment income (loss)	(1,257,261)	1,345,559	1,224,175	1,010,140
Benefit payments, including refunds of employee contributions	(891,872)	(846,575)	(807,602)	(778,394)
Administrative expense	(20,867)	(15,913)	(17,407)	(17,438)
Net change in plan fiduciary net position	(1,452,609)	1,441,762	1,298,403	1,345,139
Plan fiduciary net position, beginning of year	<u>11,433,637</u>	<u>9,991,875</u>	<u>8,693,472</u>	<u>7,348,333</u>
Plan fiduciary net position, end of year	<u>9,981,028</u>	<u>11,433,637</u>	<u>9,991,875</u>	<u>8,693,472</u>
City's net pension liability	<u>\$ 7,513,232</u>	<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	57.1%	68.2%	63.7%	60.0%
Covered payroll	\$ 1,889,747	\$ 1,959,997	\$ 1,903,758	\$ 1,712,443
City's net pension liability as a percentage of covered payroll	397.6%	272.1%	298.6%	337.8%

See notes to required supplementary information.

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)	-	-	
<u>749,802</u>	<u>339,786</u>	<u>487,239</u>	<u>1,047,693</u>	<u>380,317</u>	
<u>12,858,367</u>	<u>12,518,581</u>	<u>12,031,342</u>	<u>10,983,649</u>	<u>10,603,332</u>	
<u>13,608,169</u>	<u>12,858,367</u>	<u>12,518,581</u>	<u>12,031,342</u>	<u>10,983,649</u>	
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	
<u>7,863,519</u>	<u>7,122,542</u>	<u>5,805,936</u>	<u>6,138,770</u>	<u>6,035,247</u>	
<u>7,348,333</u>	<u>7,863,519</u>	<u>7,122,542</u>	<u>5,805,936</u>	<u>6,138,770</u>	
<u>\$ 6,259,836</u>	<u>\$ 4,994,848</u>	<u>\$ 5,396,039</u>	<u>\$ 6,225,406</u>	<u>\$ 4,844,879</u>	

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
2023	\$ 732,876	\$ 1,032,876	\$ 300,000	\$ 1,996,305	51.7%
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.
Methods and assumptions used to determine contribution rates (2023, based on the 12/31/2020 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

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

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

Disabled 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

**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, 2023

	Special Revenue		Debt Service	Capital Projects
	Local Streets	Local Improvement	Construction Bond	Capital Projects
Assets				
Cash and investments	\$ 511,269	\$ 332,477	\$ -	\$ 36,934
Receivables:				
Special assessments	-	4,831	-	-
Due from other governments	29,852	-	-	-
Total assets	<u>\$ 541,121</u>	<u>\$ 337,308</u>	<u>\$ -</u>	<u>\$ 36,934</u>
Liabilities				
Account payable	\$ 3,442	\$ 2,160	\$ -	\$ -
Accrued liabilities	1,574	-	-	-
Unearned revenue	-	-	-	21,629
Total liabilities	<u>5,016</u>	<u>2,160</u>	<u>-</u>	<u>21,629</u>
Deferred inflow of resources				
Unavailable revenue - special assessments	-	4,831	-	-
Fund balances				
Nonspendable	-	-	-	-
Restricted	536,105	-	-	-
Committed	-	330,317	-	15,305
Total fund balances	<u>536,105</u>	<u>330,317</u>	<u>-</u>	<u>15,305</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 541,121</u></u>	<u><u>\$ 337,308</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 36,934</u></u>

Permanent		
Cemetery Perpetual Care		Totals
\$ 374,235	\$ 1,254,915	
-	4,831	
-	29,852	
<u>\$ 374,235</u>	<u>\$ 1,289,598</u>	
\$ -	\$ 5,602	
-	1,574	
-	21,629	
<u>-</u>	<u>28,805</u>	
<u>-</u>	<u>4,831</u>	
374,235	374,235	
-	536,105	
-	345,622	
<u>374,235</u>	<u>1,255,962</u>	
<u>\$ 374,235</u>	<u>\$ 1,289,598</u>	

CITY OF FREMONT, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue		Debt Service	Capital Projects
	Local Streets	Local Improvement	Construction Bond	Capital Projects
Revenues				
Special assessments	\$ -	\$ 25,858	\$ -	\$ -
Intergovernmental:				
State	230,491	-	-	-
Local	-	-	-	50,000
Charges for services	-	-	-	-
Investment earnings	2,887	5,268	-	293
Total revenues	233,378	31,126	-	50,293
Expenditures				
Current:				
Public works	416,039	-	-	65,904
Community and economic development	-	25,547	-	-
Capital outlay	-	-	-	12,460
Total expenditures	416,039	25,547	-	78,364
Revenues over (under) expenditures	(182,661)	5,579	-	(28,071)
Other financing sources (uses)				
Transfers in	332,555	-	-	5,715
Transfers out	-	-	(9,940)	-
Total other financing sources (uses)	332,555	-	(9,940)	5,715
Net change in fund balances	149,894	5,579	(9,940)	(22,356)
Fund balances, beginning of year	386,211	324,738	9,940	37,661
Fund balances, end of year	\$ 536,105	\$ 330,317	\$ -	\$ 15,305

Permanent		
Cemetery Perpetual Care		Totals
\$	-	\$ 25,858
	-	230,491
	-	50,000
10,275		10,275
5,737	<u> </u>	<u>14,185</u>
<u>16,012</u>	<u> </u>	<u>330,809</u>
		481,943
	-	25,547
	<u> </u>	<u>12,460</u>
	<u> </u>	<u>519,950</u>
<u>16,012</u>	<u> </u>	<u>(189,141)</u>
	-	338,270
	-	(9,940)
	<u> </u>	<u>328,330</u>
16,012		139,189
<u>358,223</u>	<u> </u>	<u>1,116,773</u>
<u>\$ 374,235</u>	<u> </u>	<u>\$ 1,255,962</u>

CITY OF FREMONT, MICHIGAN

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Streets Special Revenue Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 218,000	\$ 218,000	\$ 230,491	\$ 12,491
Investment earnings	1,000	1,000	2,887	1,887
Total revenues	219,000	219,000	233,378	14,378
Expenditures				
Current:				
Public works:				
Routine maintenance	465,400	480,507	396,656	(83,851)
Traffic services	2,275	2,275	1,767	(508)
Snow & ice control	20,400	20,400	17,616	(2,784)
Total expenditures	488,075	503,182	416,039	(87,143)
Revenues over (under) expenditures	(269,075)	(284,182)	(182,661)	101,521
Other financing sources				
Transfers in	225,000	332,555	332,555	-
Net change in fund balance	(44,075)	48,373	149,894	101,521
Fund balance, beginning of year	386,211	386,211	386,211	-
Fund balance, end of year	\$ 342,136	\$ 434,584	\$ 536,105	\$ 101,521

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 24,200	\$ 24,200	\$ 25,858	\$ 1,658
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>5,268</u>	<u>3,268</u>
Total revenues	26,200	26,200	31,126	4,926
Expenditures				
Current:				
Community and economic development	<u>25,520</u>	<u>25,520</u>	<u>25,547</u>	<u>27</u>
Net change in fund balance	680	680	5,579	4,899
Fund balance, beginning of year	<u>324,738</u>	<u>324,738</u>	<u>324,738</u>	<u>-</u>
Fund balance, end of year	\$ 325,418	\$ 325,418	\$ 330,317	\$ 4,899