

**City of Fremont,
Michigan**



**Year Ended
June 30, 2025**

**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, 2025

Elected Officials

Mayor	James Rynberg
Mayor Pro Tem	Sandy Siegel
Council Members	Brent Deur 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

November 26, 2025

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 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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and each 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.



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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 Loham LLC". The signature is fluid and cursive, with "Rehmann" and "Loham" connected by a horizontal stroke, and "LLC" in a smaller, separate area.

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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, 2025. The City's basic financial statements are comprised of three components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements

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

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

Financial Highlights

· Total net position	\$ 23,883,909
· Change in total net position	(414,417)
· Fund balance, governmental funds	3,277,366
· Change in fund balance, governmental funds	(8,357)
· Unassigned fund balance, general fund	588,478
· Change in fund balance, general fund	175,071

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.

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.

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, 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 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).

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

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, major streets and local 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 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.

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 and individual fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

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, 2025, the City's net position from governmental activities totaled \$13,673,048 and \$10,210,861 from business-type activities, for a government-wide net position total of \$23,883,909.

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 \$2,610,489. This deficit is primarily due to the net pension liability allocated to governmental activities of \$4,636,852.

Capital asset balances increased for business-type activities by \$3,009,314, due to the completion of wastewater lagoon improvements project during fiscal 2025.

Long-term liabilities for governmental activities increased due to a new loan related to the purchase of a fire truck and an increase in compensated absences from the implementation of GASB 101, *Compensated Absences*. Business-type activities long-term liabilities decreased due to the payment of principal on outstanding debt.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 4,427,919	\$ 4,292,620	\$ 4,199,917	\$ 7,233,201	\$ 8,627,836	\$ 11,525,821
Capital assets, net	14,449,425	14,376,033	14,583,997	11,574,683	29,033,422	25,950,716
Total assets	18,877,344	18,668,653	18,783,914	18,807,884	37,661,258	37,476,537
 Deferred outflows of resources	 888,955	 1,101,876	 323,354	 420,474	 1,212,309	 1,522,350
Other liabilities	433,351	360,624	1,141,747	1,061,510	1,575,098	1,422,134
Long-term liabilities	5,570,509	5,114,450	7,734,877	8,039,277	13,305,386	13,153,727
Total liabilities	6,003,860	5,475,074	8,876,624	9,100,787	14,880,484	14,575,861
 Deferred inflows of resources	 89,391	 105,040	 19,783	 19,660	 109,174	 124,700
 Net position:						
Net investment in capital assets	14,096,006	14,376,033	7,606,676	9,031,431	21,702,682	23,407,464
Restricted	2,187,531	2,369,480	-	-	2,187,531	2,369,480
Unrestricted (deficit)	(2,610,489)	(2,555,098)	2,604,185	1,076,480	(6,304)	(1,478,618)
Total net position	\$ 13,673,048	\$ 14,190,415	\$ 10,210,861	\$ 10,107,911	\$ 23,883,909	\$ 24,298,326

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	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 1,459,035	\$ 1,493,117	\$ 1,870,676	\$ 1,531,543	\$ 3,329,711	\$ 3,024,660
Operating grants and contributions	1,129,980	1,167,741	284,656	258,493	1,414,636	1,426,234
Capital grants and contributions	310,113	538,824	-	-	310,113	538,824
General revenues:						
Property taxes	2,577,513	2,188,371	-	-	2,577,513	2,188,371
Unrestricted grants	1,022,837	897,231	-	-	1,022,837	897,231
Gain on sale of capital assets	107,501	54,902	-	-	107,501	54,902
Unrestricted investment earnings	68,362	70,568	-	-	68,362	70,568
Miscellaneous	27,044	16,623	-	-	27,044	16,623
Total revenues	6,702,385	6,427,377	2,155,332	1,790,036	8,857,717	8,217,413
Expenses						
General government	1,058,429	952,702	-	-	1,058,429	952,702
Public safety	3,161,196	2,848,092	-	-	3,161,196	2,848,092
Public works	2,183,813	1,873,418	-	-	2,183,813	1,873,418
Community and economic development	233,378	328,064	-	-	233,378	328,064
Culture and recreation	318,122	272,925	-	-	318,122	272,925
Airport operations	255,389	285,612	-	-	255,389	285,612
Interest on long-term debt	9,425	938	-	-	9,425	938
Sewer	-	-	842,611	1,290,861	842,611	1,290,861
Water	-	-	1,209,771	713,486	1,209,771	713,486
Total expenses	7,219,752	6,561,751	2,052,382	2,004,347	9,272,134	8,566,098
Change in net position	(517,367)	(134,374)	102,950	(214,311)	(414,417)	(348,685)
Net position, beginning of year	14,190,415	14,324,789	10,107,911	10,322,222	24,298,326	24,647,011
Net position, end of year	\$ 13,673,048	\$ 14,190,415	\$ 10,210,861	\$ 10,107,911	\$ 23,883,909	\$ 24,298,326

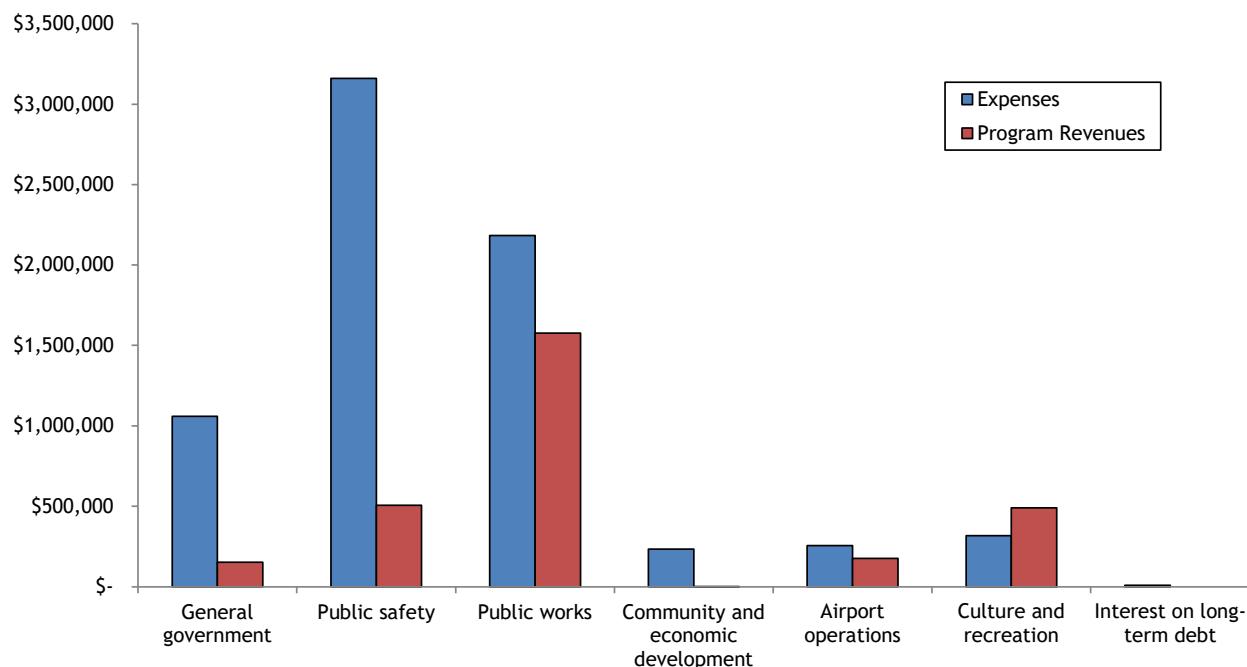
CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

Governmental Activities. Governmental activities decreased the City's net position by \$517,367, compared to a decrease of \$134,374 from the previous fiscal year. This was the result of the City taking on additional projects in the public safety and public works departments, that were funded by fund balance and federal grant funds received in the prior year.

- The City's \$275,008 increase in governmental activities revenue is mainly due to inflationary increases in property taxes and service fees for refuse, recycling and campground rentals.
- Governmental activities experienced an overall increase in expenses of \$658,001, or 10.0%. Fluctuations between expense classifications largely resulted from changes in the allocation of pension liability costs between years.

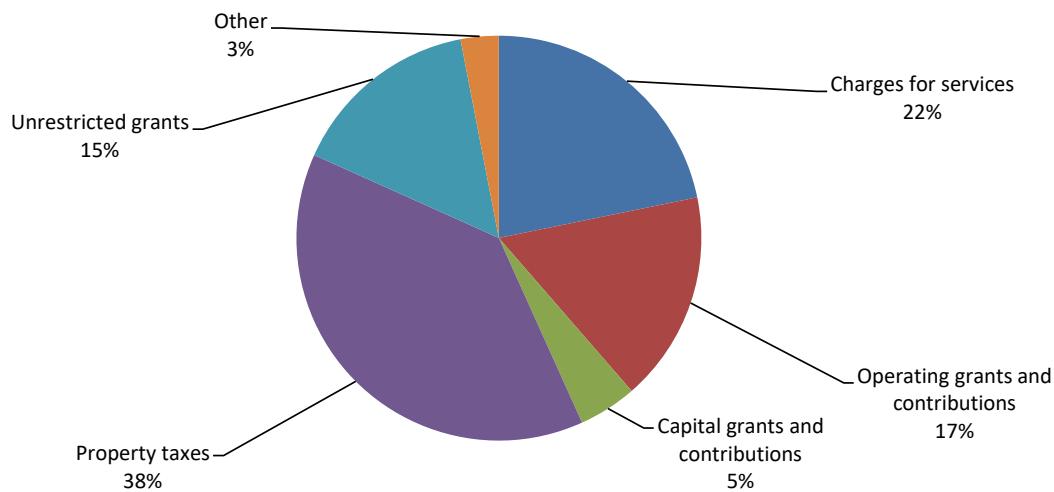
Expenses and Program Revenues - Governmental Activities



CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

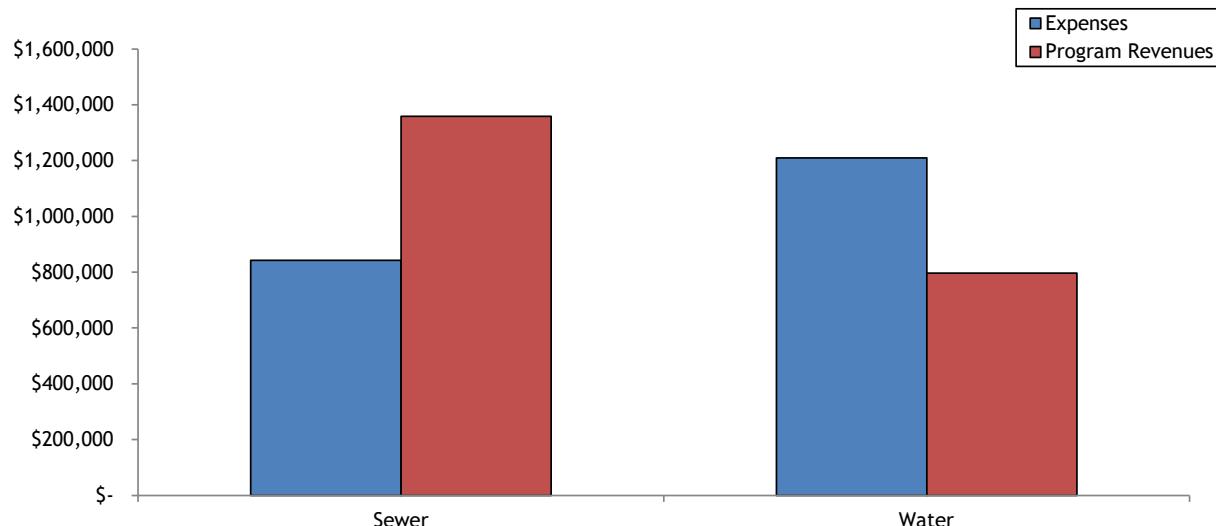
Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities increased the City's net position by \$102,950, as compared to a decrease of \$214,311 from the prior fiscal year. Key elements of this change are as follows:

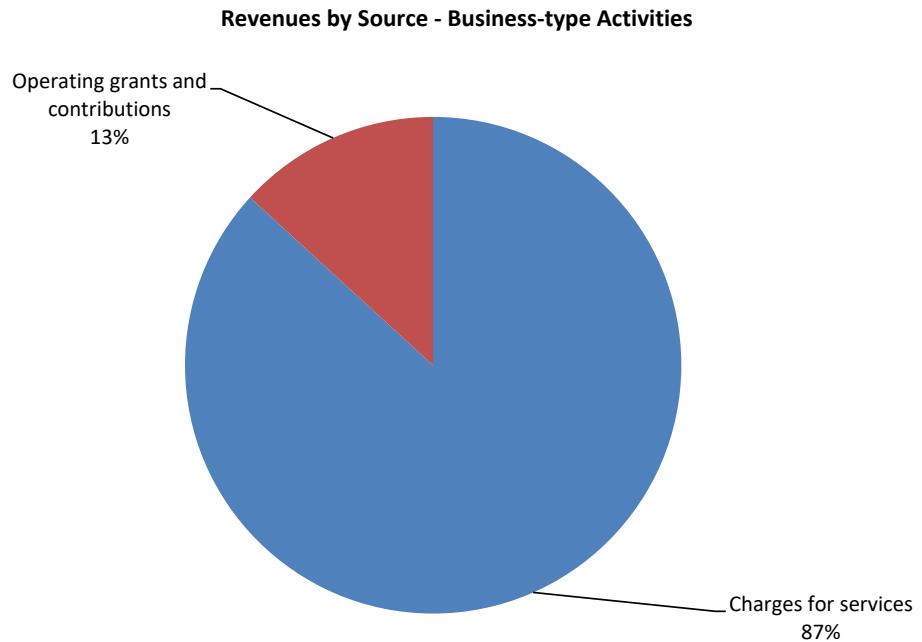
- Business-type activities total revenues increased by \$365,296, or 20.4%, as a result of the City's recent sewer rate increase to offset upcoming annual bond debt payments. A large portion of the increased revenue is from interest earnings on the bond funds being held to pay for construction of the wastewater lagoon facility expansion, as noted in the previous year as well.
- Business-type activities expenses remained fairly consistent, with an increase of \$48,035, or inflationary 2.4%.

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 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 2025 fiscal year, the governmental funds reported a combined fund balance of \$3,277,366, a decrease of \$8,357 from the prior year. Of this number, \$588,478 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 \$588,478, a decrease of \$175,071 (42.4%) from fiscal year 2023-24 due to the City finishing up projects during the year that were grant funded the previous year. 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, 2025 represents 11.2% of the next year's budgeted general fund expenditures and transfers out.

The major streets fund is another reported major fund of the City for the year ended June 30, 2025. 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 \$977,243, an increase of \$51,339 (5.5%) from fiscal year 2023-24 due to the City reserving matching funds for a Small Urban Street project to be completed in fiscal year 2025-26.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

The local streets fund is another reported major fund of the City for the year ended June 30, 2025. The fund accounts for monies that are restricted to maintaining and improving the City's local streets. The local streets fund ended the year with a total fund balance of \$789,522, a decrease of \$259,510 (24.7%) from fiscal year 2023-24 due to the City finishing up construction of a new street extension of Michigan Street costing over \$800,000.

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, 2025, net position of the sewer fund increased by \$516,548 and net position of the water fund decreased by \$413,598.

The sewer fund experienced a 39.6% increase in revenues and a 35.3% increase in expenses, ending with an net increase in fund net position. The increase in revenues is mostly due to increased sewer rates and interest earned on bond funds. The increase in expenses is mostly due to the City's construction of new sewer main lines to the new Michigan Street extension. 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 \$2,520,611.

The water fund experienced a slight 3.1% increase in revenues and a 69.6% increase in expenses, ending with a net decrease in fund net position. The increase in revenues is mostly due to increased interest rates. The increase in expenses is mostly due to the City's construction of new water main lines to the new Michigan Street extension. The fund remains healthy as shown on the statement of cash flows, as water operations still have available cash and investments at year end of \$1,110,645.

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 increased by \$102,900 to adjust for appropriation of American Rescue Plan Act (ARPA) grant funds toward projects scheduled during the fiscal year. The City appropriated grant funds for major building repairs and major equipment purchases. Some of the budgeted amount was appropriated for a new downtown splashpad in
- The state revenue budget was increased by \$114,380 to account for State grants received during the fiscal year housing and airport projects.
- The budget for public safety expenditures was increased by \$117,245 to accommodate an increases in the department's costs for health insurance, retirement benefits, wages and equipment maintenance contracts.
- The budget for airport operations expenditures was increased by \$83,380 to reflect increased airport fuel needs requiring the purchase of additional fuel.

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

- Actual costs for the public safety department came in under its final amended budget by \$69,504. The reason for this variance was over-estimated wages, insurance and professional service costs.
- Actual costs for airport operations came in under its final amended budget by \$50,706. This variance was due to over-estimated fuel and professional service costs.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

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, 2025 totaled \$29,033,422 (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	
	2025	2024	2025	2024	2025	2024
Land	\$ 2,820,657	\$ 3,113,203	\$ 240,698	\$ 240,698	\$ 3,061,355	\$ 3,353,901
Construction in progress	506,436	80,159	-	3,060,279	506,436	3,140,438
Land improvements	438,820	520,745	-	-	438,820	520,745
Buildings and improvements	598,499	742,634	-	-	598,499	742,634
Utility systems	-	-	14,243,719	8,159,554	14,243,719	8,159,554
Vehicles and equipment	1,654,185	1,210,161	99,580	114,152	1,753,765	1,324,313
Infrastructure	8,430,828	8,709,131	-	-	8,430,828	8,709,131
Total capital assets, net	\$ 14,449,425	\$ 14,376,033	\$ 14,583,997	\$ 11,574,683	\$ 29,033,422	\$ 25,950,716

Current year additions for Business-type activities include an increase in Utility Systems of \$6,084,165 mainly related to construction of the new wastewater lagoon cell and water and sanitary sewer line installations along the new Michigan Street extension in the new Apple Orchard Estates housing development.

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

Long-term Debt. As of June 30, 2025, the City had outstanding long-term debt of \$6,335,087 consisting of an installment purchase agreement, general obligation bonds and unamortized premium on bonds. Long-term debt balances increased by \$152,463 related to proceeds from the installment purchase of a fire truck, offset by scheduled principal payments.

	General Obligation Bonds					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Installment purchase agreement	\$ 353,419	\$ -	\$ -	\$ -	\$ 353,419	\$ -
General obligation bonds	-	-	5,870,000	6,065,000	5,870,000	6,065,000
Unamortized premium	-	-	111,668	117,624	111,668	117,624
Total long-term debt	\$ 353,419	\$ -	\$ 5,981,668	\$ 6,182,624	\$ 6,335,087	\$ 6,182,624

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

Economic Factors and Next Year's Budget and Rates

The General Fund operating budget for fiscal year 2025/26 was based on the continuation of the existing 15 mill property tax. 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 \$800,000 in tax revenues for general operating purposes.

CITY OF FREMONT, MICHIGAN

Management's Discussion and Analysis

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 2025/26 actually increased by only 0.9% (\$45,000), less than inflation. The City was able to keep the increase down by minimizing the amount of major repairs and capital projects the City typically takes on.

Last year the City spent the remaining awarded federal ARPA funds for large equipment purchases and a portion of the new splashpad in Veterans Memorial Park. This year there are no federal grant funds expected.

The City's Sewer Wastewater Lagoon Expansion project was completed in June 2025. Sanitary sewer rates were increased to accommodate the annual bond payments over the next 15 years. The Lagoon expansion will accommodate future growth in the community and Industrial Park.

The new construction for extension of Michigan Street began early 2025 and will be completed this year. The scope of the new housing development project will reflect 15 buildable lots for single-family homes, which is more conducive to the surrounding neighborhood. The City also sold additional land and contracted for another single-family home development (12 lots) off Hillcrest Avenue. The project will entail a private drive serving 10 of the lots with the remaining 2 having driveways off Hillcrest. Construction of homes should begin in November 2025.

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

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF FREMONT, MICHIGAN

Statement of Net Position

June 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Pooled cash and investments	\$ 3,995,192	\$ 3,631,256	\$ 7,626,448	\$ 167,984
Receivables	432,727	568,661	1,001,388	17,072
Capital assets not being depreciated	3,327,093	240,698	3,567,791	-
Capital assets being depreciated, net	<u>11,122,332</u>	<u>14,343,299</u>	<u>25,465,631</u>	-
Total assets	<u>18,877,344</u>	<u>18,783,914</u>	<u>37,661,258</u>	<u>185,056</u>
Deferred outflows of resources				
Deferred pension amounts	<u>888,955</u>	<u>323,354</u>	<u>1,212,309</u>	-
Liabilities				
Accounts payable and accrued liabilities	314,773	1,141,747	1,456,520	12,201
Unearned revenue	118,578	-	118,578	-
Bonds, notes and other long-term liabilities:				
Due within one year	275,092	277,523	552,615	-
Due in more than one year	658,565	5,770,712	6,429,277	-
Net pension liability (due in more than one year)	<u>4,636,852</u>	<u>1,686,642</u>	<u>6,323,494</u>	-
Total liabilities	<u>6,003,860</u>	<u>8,876,624</u>	<u>14,880,484</u>	<u>12,201</u>
Deferred inflows of resources				
Deferred pension amounts	54,386	19,783	74,169	-
Deferred lease amounts	<u>35,005</u>	-	<u>35,005</u>	-
Total deferred inflows of resources	<u>89,391</u>	<u>19,783</u>	<u>109,174</u>	-
Net position				
Net investment in capital assets	14,096,006	7,606,676	21,702,682	-
Restricted for:				
Streets and highways	1,766,765	-	1,766,765	-
Perpetual care (non-expendable)	420,766	-	420,766	-
Unrestricted (deficit)	<u>(2,610,489)</u>	<u>2,604,185</u>	<u>(6,304)</u>	<u>172,855</u>
Total net position	<u>\$ 13,673,048</u>	<u>\$ 10,210,861</u>	<u>\$ 23,883,909</u>	<u>\$ 172,855</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, 2025

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	\$ 1,058,429	\$ 121,543	\$ 30,150	\$ -	\$ (906,736)	
Public safety	3,161,196	242,357	263,556	-	(2,655,283)	
Public works	2,183,813	603,108	836,274	136,419	(608,012)	
Community and economic development	233,378	420	-	-	(232,958)	
Culture and recreation	318,122	316,281	-	173,694	171,853	
Airport operations	255,389	175,326	-	-	(80,063)	
Interest on long-term debt	9,425	-	-	-	(9,425)	
Total governmental activities	<u>7,219,752</u>	<u>1,459,035</u>	<u>1,129,980</u>	<u>310,113</u>	<u>(4,320,624)</u>	
Business-type activities:						
Sewer	842,611	1,115,698	243,461	-	516,548	
Water	1,209,771	754,978	41,195	-	(413,598)	
Total business-type activities	<u>2,052,382</u>	<u>1,870,676</u>	<u>284,656</u>	<u>-</u>	<u>102,950</u>	
Total primary government	<u>\$ 9,272,134</u>	<u>\$ 3,329,711</u>	<u>\$ 1,414,636</u>	<u>\$ 310,113</u>	<u>\$ (4,217,674)</u>	
Component units						
Downtown Development Authority	\$ 267,506	\$ 26,213	\$ -	\$ -	\$ (241,293)	
Local Development Finance Authority	5,094	-	-	-	(5,094)	
Fremont Community Joint Planning Commission	2,719	-	-	-	(2,719)	
Total component units	<u>\$ 275,319</u>	<u>\$ 26,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (249,106)</u>	

continued...

CITY OF FREMONT, MICHIGAN

Statement of Activities

For the Year Ended June 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net position				
Net (expense) revenue	\$ (4,320,624)	\$ 102,950	\$ (4,217,674)	\$ (249,106)
General revenues:				
Property taxes	2,577,513	-	2,577,513	215,125
Grants and contributions not restricted to specific programs	1,022,837	-	1,022,837	-
Gain on sale of capital assets	107,501	-	107,501	-
Unrestricted investment earnings	68,362	-	68,362	5,125
Miscellaneous	27,044	-	27,044	-
Total general revenues	3,803,257	-	3,803,257	220,250
Change in net position	(517,367)	102,950	(414,417)	(28,856)
Net position, beginning of year	14,190,415	10,107,911	24,298,326	201,711
Net position, end of year	<u>\$ 13,673,048</u>	<u>\$ 10,210,861</u>	<u>\$ 23,883,909</u>	<u>\$ 172,855</u>

concluded

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

CITY OF FREMONT, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2025

	General Fund	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Pooled cash and investments	\$ 558,423	\$ 889,013	\$ 930,244	\$ 928,420	\$ 3,306,100
Receivables:					
Accounts	141,387	-	-	-	141,387
Special assessments	-	-	-	3,416	3,416
Due from other governments	119,941	91,226	30,127	-	241,294
Leases	46,630	-	-	-	46,630
Total assets	<u>\$ 866,381</u>	<u>\$ 980,239</u>	<u>\$ 960,371</u>	<u>\$ 931,836</u>	<u>\$ 3,738,827</u>
Liabilities					
Accounts payable	\$ 77,241	\$ 2,086	\$ 170,329	\$ 6,297	\$ 255,953
Accrued liabilities	47,079	910	520	-	48,509
Unearned revenue	118,578	-	-	-	118,578
Total liabilities	<u>242,898</u>	<u>2,996</u>	<u>170,849</u>	<u>6,297</u>	<u>423,040</u>
Deferred inflows of resources					
Unavailable revenue - special assessments	-	-	-	3,416	3,416
Deferred lease amounts	35,005	-	-	-	35,005
Total deferred inflows of resources	<u>35,005</u>	<u>-</u>	<u>-</u>	<u>3,416</u>	<u>38,421</u>
Fund balances					
Nonspendable	-	-	-	420,766	420,766
Restricted	-	977,243	789,522	-	1,766,765
Committed	-	-	-	501,357	501,357
Unassigned	588,478	-	-	-	588,478
Total fund balances	<u>588,478</u>	<u>977,243</u>	<u>789,522</u>	<u>922,123</u>	<u>3,277,366</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 866,381</u>	<u>\$ 980,239</u>	<u>\$ 960,371</u>	<u>\$ 931,836</u>	<u>\$ 3,738,827</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, 2025

Fund balances - total governmental funds	\$ 3,277,366
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	3,327,093
Capital assets being depreciated, net	11,122,332
Less: capital assets being accounted for in internal service funds	(1,890,132)
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.	3,416
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	2,215,494
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Compensated absences payable	(580,238)
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	(4,636,852)
Deferred outflows of resources related to the net pension liability	888,955
Deferred inflows of resources related to the net pension liability	<u>(54,386)</u>
Net position of governmental activities	<u>\$ 13,673,048</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, 2025

	General Fund	Major Streets	Local Streets	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 2,577,513	\$ -	\$ -	\$ -	\$ 2,577,513
Special assessments	-	-	-	28,342	28,342
Licenses and permits	99,527	-	-	-	99,527
Intergovernmental:					
Federal	102,903	-	-	-	102,903
State	1,022,837	549,203	246,812	-	1,818,852
Local	-	-	-	108,679	108,679
Charges for services	1,162,431	182,334	-	13,900	1,358,665
Fines and forfeitures	843	-	-	-	843
Investment earnings	68,362	23,866	4,516	24,199	120,943
Other	361,391	-	-	-	361,391
Total revenues	5,395,807	755,403	251,328	175,120	6,577,658
Expenditures					
Current:					
General government	725,737	-	-	-	725,737
Public safety	2,052,901	-	-	-	2,052,901
Public works	894,915	454,064	760,838	2,735	2,112,552
Community and economic development	124,507	-	-	26,213	150,720
Culture and recreation	209,891	-	-	-	209,891
Airport operations	255,389	-	-	-	255,389
Other governmental functions	951,087	-	-	-	951,087
Capital outlay	-	-	-	184,429	184,429
Total expenditures	5,214,427	454,064	760,838	213,377	6,642,706
Revenues over (under) expenditures	181,380	301,339	(509,510)	(38,257)	(65,048)
Other financing sources (uses)					
Proceeds from sales of capital assets	56,691	-	-	-	56,691
Transfers in	-	-	250,000	63,000	313,000
Transfers out	(63,000)	(250,000)	-	-	(313,000)
Total other financing sources (uses)	(6,309)	(250,000)	250,000	63,000	56,691
Net change in fund balances	175,071	51,339	(259,510)	24,743	(8,357)
Fund balances, beginning of year	413,407	925,904	1,049,032	897,380	3,285,723
Fund balances, end of year	\$ 588,478	\$ 977,243	\$ 789,522	\$ 922,123	\$ 3,277,366

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, 2025

Net change in fund balances - total governmental funds	\$ (8,357)
--	------------

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

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

Purchase/construction of capital assets	1,789,261
Less: purchase/construction of capital assets being accounted for in internal service funds	(730,317)
Depreciation expense	(1,423,323)
Less: depreciation expense being accounted for in internal service funds	303,901
Proceeds from sales of capital assets	(56,691)
Loss on sale of capital assets	(235,855)
Gain on sale of capital assets accounted for in internal service funds	107,501

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	47,139
Investment income from internal service funds	17,828
Interest expense from internal service funds	(9,425)

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	(602)
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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	(87,650)
Change in compensated absences	<u>(230,777)</u>

Change in net position of governmental activities	\$ <u>(517,367)</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, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 2,553,860	\$ 2,569,160	\$ 2,577,513	\$ 8,353
Licenses and permits	88,200	102,200	99,527	(2,673)
Intergovernmental:				
Federal	-	102,900	102,903	3
State	919,700	1,034,080	1,022,837	(11,243)
Charges for services	1,148,500	1,170,300	1,162,431	(7,869)
Fines and forfeitures	2,000	2,000	843	(1,157)
Investment earnings	45,000	60,000	68,362	8,362
Other	370,000	392,600	361,391	(31,209)
Total revenues	5,127,260	5,433,240	5,395,807	(37,433)
Expenditures				
Current:				
General government:				
Legislative	21,500	21,500	15,724	(5,776)
Executive	112,680	112,680	111,748	(932)
Elections	8,520	9,620	9,680	60
General administration	25,000	3,000	2,026	(974)
Clerk	98,590	98,590	96,761	(1,829)
Treasurer	51,540	51,540	51,805	265
Assessor	52,975	52,975	51,578	(1,397)
Cemetery	167,130	186,130	190,499	4,369
Attorney	25,000	28,000	26,429	(1,571)
Building and grounds	119,915	125,915	120,032	(5,883)
Public relations	49,725	49,725	49,422	(303)
Tax tribunal	5,000	100	33	(67)
Total general government	737,575	739,775	725,737	(14,038)
Public safety:				
Police department	1,611,260	1,662,405	1,593,728	(68,677)
Fire department	393,900	460,000	459,173	(827)
Total public safety	2,005,160	2,122,405	2,052,901	(69,504)
Public works:				
Department of public works	481,660	499,660	489,782	(9,878)
Refuse and recycling	349,800	360,800	365,016	4,216
Yard waste	47,225	47,225	40,117	(7,108)
Total public works	878,685	907,685	894,915	(12,770)

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CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures (concluded)				
Current (concluded):				
Community and economic development:				
Planning and zoning	\$ 87,330	\$ 96,330	\$ 95,930	\$ (400)
Community development	32,260	32,260	28,577	(3,683)
Total community and economic development	<u>119,590</u>	<u>128,590</u>	<u>124,507</u>	<u>(4,083)</u>
Culture and recreation:				
Parks and recreation	<u>173,550</u>	<u>197,550</u>	<u>209,891</u>	<u>12,341</u>
Airport operations	<u>222,715</u>	<u>306,095</u>	<u>255,389</u>	<u>(50,706)</u>
Other governmental functions:				
Employee fringe benefits and other items	<u>949,605</u>	<u>965,605</u>	<u>951,087</u>	<u>(14,518)</u>
Total expenditures	<u>5,086,880</u>	<u>5,367,705</u>	<u>5,214,427</u>	<u>(153,278)</u>
Revenues over (under) expenditures	<u>40,380</u>	<u>65,535</u>	<u>181,380</u>	<u>115,845</u>
Other financing sources (uses)				
Proceeds from sales of capital assets	70,000	70,000	56,691	(13,309)
Transfers out	(210,000)	(63,000)	(63,000)	-
Total other financing sources (uses)	<u>(140,000)</u>	<u>7,000</u>	<u>(6,309)</u>	<u>(13,309)</u>
Net change in fund balance	<u>(99,620)</u>	<u>72,535</u>	<u>175,071</u>	<u>102,536</u>
Fund balance, beginning of year	<u>413,407</u>	<u>413,407</u>	<u>413,407</u>	-
Fund balance, end of year	<u>\$ 313,787</u>	<u>\$ 485,942</u>	<u>\$ 588,478</u>	<u>\$ 102,536</u>

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, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 530,000	\$ 540,000	\$ 549,203	\$ 9,203
Charges for services	70,000	261,338	182,334	(79,004)
Investment earnings	10,000	21,000	23,866	2,866
Total revenues	610,000	822,338	755,403	(66,935)
Expenditures				
Current:				
Public works:				
Construction	200,000	200,000	200,000	-
Routine maintenance	60,700	63,700	49,024	(14,676)
Traffic services	11,110	16,225	18,309	2,084
Snow & ice control	20,305	21,705	21,946	241
Trunkline maintenance	65,000	267,823	164,785	(103,038)
Total expenditures	357,115	569,453	454,064	(115,389)
Revenues over (under) expenditures	252,885	252,885	301,339	48,454
Other financing uses				
Transfers out	(250,000)	(250,000)	(250,000)	-
Net change in fund balance	2,885	2,885	51,339	48,454
Fund balance, beginning of year	925,904	925,904	925,904	-
Fund balance, end of year	\$ 928,789	\$ 928,789	\$ 977,243	\$ 48,454

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

CITY OF FREMONT, MICHIGAN

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - Local Streets Special Revenue Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
State	\$ 238,000	\$ 238,000	\$ 246,812	\$ 8,812
Investment earnings	3,000	3,000	4,516	1,516
Total revenues	<u>241,000</u>	<u>241,000</u>	<u>251,328</u>	<u>10,328</u>
Expenditures				
Current:				
Public works:				
Construction	1,125,000	661,700	674,515	12,815
Routine maintenance	65,065	70,065	59,617	(10,448)
Traffic services	3,275	4,778	3,846	(932)
Snow & ice control	18,400	22,850	22,860	10
Total expenditures	<u>1,211,740</u>	<u>759,393</u>	<u>760,838</u>	<u>1,445</u>
Revenues over (under) expenditures	(970,740)	(518,393)	(509,510)	8,883
Other financing sources				
Transfers in	250,000	250,000	250,000	-
Net change in fund balance	<u>(720,740)</u>	<u>(268,393)</u>	<u>(259,510)</u>	<u>8,883</u>
Fund balance, beginning of year	<u>1,049,032</u>	<u>1,049,032</u>	<u>1,049,032</u>	<u>-</u>
Fund balance, end of year	<u>\$ 328,292</u>	<u>\$ 780,639</u>	<u>\$ 789,522</u>	<u>\$ 8,883</u>

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

CITY OF FREMONT, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Assets				
Current assets:				
Pooled cash and investments	\$ 2,520,611	\$ 1,110,645	\$ 3,631,256	\$ 689,092
Accounts receivable	353,495	215,166	568,661	-
Total current assets	<u>2,874,106</u>	<u>1,325,811</u>	<u>4,199,917</u>	<u>689,092</u>
Noncurrent assets:				
Capital assets, net:				
Land	228,972	11,726	240,698	-
Buildings	-	-	-	812,755
Utility systems	17,271,005	8,682,442	25,953,447	-
Equipment	266,128	87,466	353,594	4,537,935
Accumulated depreciation	(7,778,203)	(4,185,539)	(11,963,742)	(3,460,558)
Total noncurrent assets	<u>9,987,902</u>	<u>4,596,095</u>	<u>14,583,997</u>	<u>1,890,132</u>
Total assets	<u>12,862,008</u>	<u>5,921,906</u>	<u>18,783,914</u>	<u>2,579,224</u>
Deferred outflows of resources				
Deferred pension amounts	<u>159,044</u>	<u>164,310</u>	<u>323,354</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	1,003,470	57,665	1,061,135	676
Accrued liabilities	5,967	11,641	17,608	210
Accrued interest payable	63,004	-	63,004	9,425
Current portion of bonds, notes and other long-term liabilities	232,797	44,726	277,523	68,945
Total current liabilities	<u>1,305,238</u>	<u>114,032</u>	<u>1,419,270</u>	<u>79,256</u>
Noncurrent liabilities:				
Bonds, notes and other long-term liabilities, net of current portion	5,770,712	-	5,770,712	284,474
Net pension liability	829,592	857,050	1,686,642	-
Total noncurrent liabilities	<u>6,600,304</u>	<u>857,050</u>	<u>7,457,354</u>	<u>284,474</u>
Total liabilities	<u>7,905,542</u>	<u>971,082</u>	<u>8,876,624</u>	<u>363,730</u>
Deferred inflows of resources				
Deferred pension amounts	<u>9,731</u>	<u>10,052</u>	<u>19,783</u>	<u>-</u>
Net position				
Net investment in capital assets	3,010,581	4,596,095	7,606,676	1,536,713
Unrestricted	2,095,198	508,987	2,604,185	678,781
Total net position	<u>\$ 5,105,779</u>	<u>\$ 5,105,082</u>	<u>\$ 10,210,861</u>	<u>\$ 2,215,494</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, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Revenues				
Charges for services	\$ 1,115,698	\$ 754,978	\$ 1,870,676	\$ 624,190
Operating expenses				
Administration	42,378	257,845	300,223	59,781
Operations	355,852	774,500	1,130,352	213,369
Depreciation	195,869	177,426	373,295	303,901
Total operating expenses	594,099	1,209,771	1,803,870	577,051
Operating income (loss)	521,599	(454,793)	66,806	47,139
Nonoperating revenues (expenses)				
Investment income	243,461	41,195	284,656	17,828
Gain on sale of capital assets	-	-	-	107,501
Interest expense	(248,512)	-	(248,512)	(9,425)
Total nonoperating revenues (expenses)	(5,051)	41,195	36,144	115,904
Change in net position	516,548	(413,598)	102,950	163,043
Net position, beginning of year	4,589,231	5,518,680	10,107,911	2,052,451
Net position, end of year	\$ 5,105,779	\$ 5,105,082	\$ 10,210,861	\$ 2,215,494

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, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Cash flows from operating activities				
Receipts from customers	\$ 1,062,826	\$ 738,888	\$ 1,801,714	\$ -
Receipts from interfund services provided	-	-	-	624,190
Payments to and refunds received from suppliers	(1,058,936)	(297,485)	(1,356,421)	(215,384)
Payments to or on behalf of employees	(417,586)	(515,748)	(933,334)	(60,177)
Payments for interfund services used	(7,075)	(53,412)	(60,487)	-
Net cash provided by (used in) operating activities	(420,771)	(127,757)	(548,528)	348,629
Cash flows from capital and related financing activities				
Principal payments on long-term liabilities	(195,000)	-	(195,000)	-
Interest and agent fees paid on long-term liabilities	(256,418)	-	(256,418)	-
Cash paid for purchase or construction of capital assets	(2,263,763)	(123,193)	(2,386,956)	(376,898)
Proceeds from sales of capital assets	-	-	-	107,501
Net cash provided by (used in) capital and related financing activities	(2,715,181)	(123,193)	(2,838,374)	(269,397)
Cash flows from investing activities				
Interest received	243,461	41,195	284,656	17,828
Net change in pooled cash and investments	(2,892,491)	(209,755)	(3,102,246)	97,060
Pooled cash and investments, beginning of year	5,413,102	1,320,400	6,733,502	592,032
Pooled cash and investments, end of year	\$ 2,520,611	\$ 1,110,645	\$ 3,631,256	\$ 689,092

continued...

CITY OF FREMONT, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities	
	Sewer	Water	Total	Internal Service Fund	
Cash flows from operating activities					
Operating income (loss)	\$ 521,599	\$ (454,793)	\$ 66,806	\$ 47,139	
Adjustments to reconcile operating income (loss)					
to net cash provided by (used in) operating activities:					
Depreciation	195,869	177,426	373,295	303,901	
Changes in assets, deferred outflows/inflows of resources, and liabilities that provided (used) cash:					
Accounts receivable	(52,872)	(16,090)	(68,962)	-	
Accounts payable	(973,682)	53,344	(920,338)	(2,015)	
Accrued liabilities	1,337	5,535	6,872	(396)	
Compensated absences	9,876	18,344	28,220	-	
Net pension liability	(200,694)	69,030	(131,664)	-	
Deferred outflows of resources for pension	79,205	17,915	97,120	-	
Deferred inflows of resources for pension	(1,409)	1,532	123	-	
Net cash provided by (used in) operating activities	\$ (420,771)	\$ (127,757)	\$ (548,528)	\$ 348,629	
Non-cash Financing Activities					
Capital asset additions financed with accounts payable	\$ (995,653)	\$ -	\$ (995,653)	\$ -	
Finance purchase agreement for capital asset	-	-	-	353,419	
Capital asset cost related to finance purchase	-	-	-	(353,419)	
	\$ (995,653)	\$ -	\$ (995,653)	\$ -	

concluded

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, 2025

	Other Post- Employment Benefits Trust	Custodial Fund
Assets		
Pooled cash and investments	\$ -	\$ 38,302
Investments - MERS total market portfolio	<u>187,663</u>	<u>-</u>
Total assets	187,663	38,302
Liabilities		
Undistributed receipts	<u>-</u>	<u>38,302</u>
Net position		
Restricted for:		
Other postemployment benefits	<u>\$ 187,663</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, 2025

	Other Post- Employment Benefits Trust	Custodial Fund
Additions		
Property taxes collected for other governmental units	\$ -	\$ 6,686,934
Employer contributions	15,000	-
Investment earnings	16,561	-
Total additions	<u>31,561</u>	<u>6,686,934</u>
Deductions		
Property taxes distributed to other governmental units	-	6,686,934
Administrative expenses	372	-
Total deductions	<u>372</u>	<u>6,686,934</u>
Change in net position	<u>31,189</u>	<u>-</u>
Net position, beginning of year	<u>156,474</u>	<u>-</u>
Net position, end of year	<u><u>\$ 187,663</u></u>	<u><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, 2025

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Assets				
Pooled cash and investments	\$ 164,011	\$ -	\$ 3,973	\$ 167,984
Receivables	<u>17,072</u>	<u>-</u>	<u>-</u>	<u>17,072</u>
Total assets	181,083	-	3,973	185,056
Liabilities				
Accounts payable and accrued liabilities	<u>11,643</u>	<u>-</u>	<u>558</u>	<u>12,201</u>
Net position				
Unrestricted	<u>\$ 169,440</u>	<u>\$ -</u>	<u>\$ 3,415</u>	<u>\$ 172,855</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, 2025

	Downtown Development Authority	Local Development Finance Authority	Fremont Community Joint Planning Commission	Total
Expenses				
Downtown Development Authority	\$ 267,506	\$ -	\$ -	\$ 267,506
Local Development Finance Authority	-	5,094	-	5,094
Fremont Community Joint Planning Commission	-	-	2,719	2,719
Total expenses	267,506	5,094	2,719	275,319
Program revenues				
Charges for services	26,213	-	-	26,213
Net (expense) revenue	(241,293)	(5,094)	(2,719)	(249,106)
General revenues				
Property taxes	215,125	-	-	215,125
Unrestricted investment earnings	4,806	159	160	5,125
Total general revenues	219,931	159	160	220,250
Change in net position	(21,362)	(4,935)	(2,559)	(28,856)
Net position, beginning of year	190,802	4,935	5,974	201,711
Net position, end of year	\$ 169,440	\$ -	\$ 3,415	\$ 172,855

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.

Fiduciary Component Unit

The *Other Postemployment Benefit Plan* (the "OPEB Plan) is 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. The System is administered through a qualified trust. The OPEB Plan is administered by the City; accordingly, it is included as a fiduciary component unit in the City's financial statements. Plan provisions and requirements are specified in the MERS Health Care Savings Program and Retiree Health Funding Vehicle Plan Document and Trust. The City is financially accountable for the System, as it obligated to make employer contributions. Changes in required contributions are subject to approval by the City Council.

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

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 *Local Streets Fund* accounts for funds specifically intended for the maintenance and construction of local 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:

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

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.

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

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

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

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 fiduciary 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, 2025. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621.
6. The legal level of budgetary control is at the department level.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

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

Cash and Investments

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

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 noncurrent 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 / Unearned Revenue

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 recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The City's policy allows employees to earn and accumulate sick and vacation pay benefits. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

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. 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. In addition, the City reports deferred inflows of resources related to its pension plan.

Property Taxes

City property taxes are attached as an enforceable lien on property as of December 31. Summer taxes are levied July 1 and are due without penalty on or before August 10, and winter taxes are levied on December 1 and are due without penalty on or before February 14. The City bills and collects its own property taxes for general governmental services. 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 Balance

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. The fund balance was not within this minimum range at June 30, 2025.

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, 2025, 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:			
Elections	\$ 9,620	\$ 9,680	\$ 60
Treasurer	51,540	51,805	265
Cemetery	186,130	190,499	4,369
Public works:			
Refuse and recycling	360,800	365,016	4,216
Culture and recreation:			
Parks and recreation	197,550	209,891	12,341
Major streets fund:			
Public works:			
Traffic services	16,225	18,309	2,084
Snow & ice control	21,705	21,946	241
Local streets fund:			
Public works:			
Construction	661,700	674,515	12,815
Snow & ice control	22,850	22,860	10
Local Improvement fund:			
Community and economic development	25,870	26,213	343

3. DEPOSITS AND INVESTMENTS

Deposits and investments consist of the following at June 30, 2025:

	Primary Government	Component Units	Fiduciary Funds	Total
Pooled cash and investments	\$ 7,626,448	\$ 167,984	\$ 38,302	\$ 7,832,734
Investments	-	-	187,663	187,663
	<u>\$ 7,626,448</u>	<u>\$ 167,984</u>	<u>\$ 225,965</u>	<u>\$ 8,020,397</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, 2025:

Checking/savings accounts	\$ 3,132,467
Certificates of deposit	2,018,559
Investments	2,869,071
Petty cash	<u>300</u>
Total cash and investments	<u>\$ 8,020,397</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, 2025, the City had the following investments:

Investment	Maturity	Fair Value / NAV	Rating
Michigan CLASS government investment pool	Various	\$ 2,450,427	AAAm (S&P)
Money market account	N/A	1,094	N/A
U.S. government bonds	4/24/2030	229,887	AA+ (S&P)
MERS total market portfolio	N/A	<u>187,663</u>	N/A
Total investments		<u>\$ 2,869,071</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, \$5,576,997 of the City's bank balance of \$6,326,997 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, 2025:

	Level 1	Level 2	Level 3	Total
Money market account	\$ 1,094	\$ -	\$ -	\$ 1,094
U.S. government bonds	-	229,887	-	229,887
MERS total market portfolio	<u>187,663</u>	<u>-</u>	<u>-</u>	<u>187,663</u>
Total	\$ 188,757	\$ 229,887	\$ -	\$ 418,644
Investments carried at net asset value:				
Michigan CLASS government investment pool				<u>2,450,427</u>
				<u>\$ 2,869,071</u>

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

At year end, the net asset value of the City's investment in the Michigan CLASS government investment pool was \$2,450,427. 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, 2025, the City's receivables consisted of the following:

	Governmental Activities	Business-type Activities	Component Units
Accounts	\$ 141,387	\$ 568,661	\$ -
Special assessments	3,416	-	-
Due from other governments	241,294	-	-
Leases	46,630	-	-
Notes	-	-	17,072
Total	\$ 432,727	\$ 568,661	\$ 17,072

Of the amounts reported above, \$27,670 of the leases receivable reported in the governmental activities and \$6,936 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, 2025, the City's accounts payable and accrued liabilities were as follows:

	Governmental Activities	Business-type Activities	Component Units
Accounts payable	\$ 256,629	\$ 1,061,135	\$ 12,201
Accrued liabilities	48,719	17,608	-
Accrued interest payable	9,425	63,004	-
Total	\$ 314,773	\$ 1,141,747	\$ 12,201

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

6. LEASES RECEIVABLE

The City is involved in three 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, 2025 was \$18,515.

Asset Type	Remaining Term of Agreements
Land	3 years
Buildings	6 years

In accordance with GASB 87, *Leases*, the City does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, regulated aviation leases between the City and aeronautical users. The leasing operations of the City consists principally of the leasing of hangars. The Authority has four lease agreements that consist of noncancelable agreements.

Asset Type	Remaining Term of Agreements
Hangers	4 to 19 years

The future minimum payments as of June 30, 2025 were as follows:

Year Ended June 30,	Amount
2026	\$ 12,743
2027	12,743
2028	12,743
2029	11,766
2030	17,628
2031-2035	53,945
2036-2040	48,578
2041-2044	<u>29,250</u>
	\$ <u>199,396</u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

The Airport recognized \$11,420 of rental income for the year ended June 30, 2025 for its regulated leases.

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 3,113,203	\$ -	\$ (292,546)	\$ -	\$ 2,820,657
Construction in progress	80,159	426,277	-	-	506,436
	<u>3,193,362</u>	<u>426,277</u>	<u>(292,546)</u>	<u>-</u>	<u>3,327,093</u>
Capital assets, being depreciated:					
Land improvements	1,901,372	-	-	-	1,901,372
Buildings and improvements	5,020,743	-	-	-	5,020,743
Vehicles and equipment	5,293,118	730,317	(419,621)	-	5,603,814
Infrastructure	26,685,595	632,667	-	-	27,318,262
	<u>38,900,828</u>	<u>1,362,984</u>	<u>(419,621)</u>	<u>-</u>	<u>39,844,191</u>
Less accumulated depreciation for:					
Land improvements	(1,380,627)	(81,925)	-	-	(1,462,552)
Buildings and improvements	(4,278,109)	(144,135)	-	-	(4,422,244)
Vehicles and equipment	(4,082,957)	(286,293)	419,621	-	(3,949,629)
Infrastructure	(17,976,464)	(910,970)	-	-	(18,887,434)
	<u>(27,718,157)</u>	<u>(1,423,323)</u>	<u>419,621</u>	<u>-</u>	<u>(28,721,859)</u>
Total capital assets being depreciated, net	<u>11,182,671</u>	<u>(60,339)</u>	<u>-</u>	<u>-</u>	<u>11,122,332</u>
Governmental activities capital assets, net	\$ 14,376,033	\$ 365,938	\$ (292,546)	\$ -	\$ 14,449,425

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

Governmental activities

General government	\$ 136,560
Public safety	527,560
Public works	364,761
Community and economic development	38,732
Culture and recreation	51,809
Depreciation charged to Internal Service Funds	<u>303,901</u>
	<u>\$ 1,423,323</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	3,060,279	3,259,416	-	(6,319,695)	-
	<u>3,300,977</u>	<u>3,259,416</u>	<u>-</u>	<u>(6,319,695)</u>	<u>240,698</u>
Capital assets, being depreciated:					
Utility systems	19,510,559	123,193	-	6,319,695	25,953,447
Equipment	353,594	-	-	-	353,594
	<u>19,864,153</u>	<u>123,193</u>	<u>-</u>	<u>6,319,695</u>	<u>26,307,041</u>
Less accumulated depreciation for:					
Utility systems	(11,351,005)	(358,723)	-	-	(11,709,728)
Equipment	(239,442)	(14,572)	-	-	(254,014)
	<u>(11,590,447)</u>	<u>(373,295)</u>	<u>-</u>	<u>-</u>	<u>(11,963,742)</u>
Total capital assets being depreciated, net	<u>8,273,706</u>	<u>(250,102)</u>	<u>-</u>	<u>6,319,695</u>	<u>14,343,299</u>
Business-type activities capital assets, net	\$ 11,574,683	\$ 3,009,314	\$ -	\$ -	\$ 14,583,997

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

Business-type activities

Sewer	\$ 195,869
Water	<u>177,426</u>
	<u><u>\$ 373,295</u></u>

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

8. BONDS, NOTES AND OTHER LONG-TERM LIABILITIES

The following is a summary of the bonds, notes and other long-term liabilities transactions for the City during the year ended June 30, 2025:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
Direct borrowings and direct placements:					
Installment purchase agreement	\$ -	\$ 353,419	\$ -	\$ 353,419	\$ 68,945
Compensated absences	<u>349,461</u>	<u>230,777</u>	<u>-</u>	<u>580,238</u>	<u>206,147</u>
Total governmental activities	<u>\$ 349,461</u>	<u>\$ 584,196</u>	<u>\$ -</u>	<u>\$ 933,657</u>	<u>\$ 275,092</u>
Business-type activities					
General obligation bonds	\$ 6,065,000	\$ -	\$ (195,000)	\$ 5,870,000	\$ 205,000
Bond premium	117,624	-	(5,956)	111,668	5,956
Compensated absences	<u>38,347</u>	<u>28,220</u>	<u>-</u>	<u>66,567</u>	<u>66,567</u>
Total business-type activities	<u>\$ 6,220,971</u>	<u>\$ 28,220</u>	<u>\$ (200,956)</u>	<u>\$ 6,048,235</u>	<u>\$ 277,523</u>

The change in compensated absences liability is presented as a net change.

Governmental Activities

Fire truck installment purchase agreement due in annual installments
of \$78,370 including interest at 4.00% through July 1, 2029 \$ 353,419

Business-type Activities

\$6,065,000 2023 Capital Improvement Bonds, due in annual installments of
\$195,000 to \$435,000 plus interest ranging from 4.00 to 5.00%, payable semi-annually,
through October 1, 2043 \$ 5,870,000

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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

Year Ended June 30,	Governmental Activities			Business-Type Activities	
	Direct Borrowings and Direct Placements			General Obligation Bonds	
	Principal	Interest		Principal	Interest
2026	\$ 68,945	\$ 9,425	\$ 205,000	\$ 246,893	
2027	66,991	11,379	215,000	236,393	
2028	69,670	8,699	225,000	225,393	
2029	72,457	5,913	235,000	213,893	
2030	75,356	3,014	245,000	201,893	
2031-2035	-	-	1,405,000	842,738	
2036-2040	-	-	1,705,000	532,174	
2041-2043	-	-	1,635,000	145,681	
	<u>\$ 353,419</u>	<u>\$ 38,430</u>	<u>\$ 5,870,000</u>	<u>\$ 2,645,058</u>	

9. INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2025 is as follows:

Transfers out	Transfers In		
	Local Streets Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 63,000	\$ 63,000
Major Streets Fund	<u>250,000</u>	<u>-</u>	<u>250,000</u>
	<u>\$ 250,000</u>	<u>\$ 63,000</u>	<u>\$ 313,000</u>

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

10. FUND BALANCES - GOVERNMENTAL FUNDS

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

	General Fund	Major Streets Fund	Local Streets Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Permanent corpus	\$ -	\$ -	\$ -	\$ 420,766	\$ 420,766
Restricted:					
Highways and streets	-	977,243	789,522	-	1,766,765
Committed:					
Capital projects	-	-	-	501,357	501,357
Unassigned	<u>588,478</u>	-	-	-	<u>588,478</u>
Total fund balances, governmental funds	\$ 588,478	\$ 977,243	\$ 789,522	\$ 922,123	\$ 3,277,366

11. CONTINGENT LIABILITIES

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

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

12. RISK MANAGEMENT

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

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

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

13. PENSION PLANS

General Information About the Plan

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

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

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Employees Covered by Benefit Terms. At the December 31, 2024 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	4
Active employees	<u>23</u>
 Total membership	 <u><u>59</u></u>

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

Employer and employee contribution amounts or rates, by division/bargaining unit, were as follows for the year ended June 30, 2025:

Division/Bargaining Unit	Employer Contribution	Employee Contribution	Status
01 - General	\$40,984/month	0.00%	Closed
02 - Police/Fire	\$15,980/month	3.50%	Closed
03 - Gnrl 12/12 & Pol/Fi 7/16	\$4,912/month	0.00%	Closed
20 - Pol/Fi aft 7/16	\$1,868/month	7.00%	Closed

Net Pension Liability. The City's net pension liability was measured as of December 31, 2024, 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, 2024 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	6.93%, net of investment and administrative expense including inflation

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

The base mortality tables used are constructed as described below and are based on 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
- 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

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of the most recent actuarial experience study of 2019-2023.

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%
Dedicated gains adjustment			-0.07%
Administrative expenses netted above			0.25%
Investment rate of return			7.18%

In February 2022, the MERS Retirement Board adopted a Dedicated Gains Policy. The purpose of the Policy is to automatically reduce the assumed rate of investment return for annual actuarial valuation purposes if the plan year's market value of investment income exceeds the expected investment income.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2024 was 7.18%. 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.

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, 2023	\$ 18,110,884	\$ 11,527,589	\$ 6,583,295
Changes for the year:			
Service cost	214,521	-	214,521
Interest	1,271,620	-	1,271,620
Differences between expected and actual experience	183,878	-	183,878
Changes in assumptions	(39,276)	-	(39,276)
Employer contributions	-	1,033,562	(1,033,562)
Employee contributions	-	21,579	(21,579)
Net investment income		861,046	(861,046)
Benefit payments, including refunds of employee contributions	(1,015,112)	(1,015,112)	-
Administrative expense	-	(25,643)	25,643
Net changes	615,631	875,432	(259,801)
Balances at December 31, 2024	\$ 18,726,515	\$ 12,403,021	\$ 6,323,494

Changes in assumptions. A 5-year experience study analyzing historical experience from 2019 through 2023 was completed in February 2025. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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 7.18%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate:

1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
\$ 8,630,216	\$ 6,323,494	\$ 4,399,916

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

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

For the year ended June 30, 2025, the City recognized pension expense of \$1,117,878. 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	\$ 188,094	\$ 44,712	\$ 143,382
Changes in assumptions	213,559	29,457	184,102
Net difference between projected and actual earnings on pension plan investments	428,192	-	428,192
	829,845	74,169	755,676
Contributions subsequent to the measurement date	382,464	-	382,464
Total	\$ 1,212,309	\$ 74,169	\$ 1,138,140

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

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, 2026. 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
2026	\$ 422,480
2027	377,793
2028	(38,028)
2029	<u>(6,569)</u>
Total	<u>\$ 755,676</u>

Payable to the Pension Plan. At June 30, 2025, 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.

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.

CITY OF FREMONT, MICHIGAN

Notes to Financial Statements

During the year ended June 30, 2025, 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. TAX ABATEMENTS

The City received reduced property tax revenues during 2025 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 \$29,000 in reduced City tax revenues for 2025.

16. FUNDS HELD BY THE FREMONT AREA COMMUNITY FOUNDATION

The Fremont Area Community Foundation maintains donor funds for the benefit of the City which have not been included in the accompanying financial statements. Resources of the donor funds can be requested and expended by the City under the provisions of the fund agreement and upon approval by the Foundation. The balance in these donor funds at June 30, 2025 was \$1,387,957.

17. NET INVESTMENT IN CAPITAL ASSETS

The components of net investment in capital assets as of June 30, 2025, were as follows:

	Governmental Activities	Business-type Activities
Capital assets:		
Capital assets not being depreciated	\$ 3,327,093	\$ 240,698
Capital assets being depreciated, net	<u>11,122,332</u>	<u>14,343,299</u>
	<u>14,449,425</u>	<u>14,583,997</u>
Related debt:		
Bonds and notes	353,419	5,870,000
Unamortized bond premium	-	111,668
Payables related to capital purchases	<u>-</u>	<u>995,653</u>
	<u>353,419</u>	<u>6,977,321</u>
Net investment in capital assets	<u>\$ 14,096,006</u>	<u>\$ 7,606,676</u>



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,				
	2025	2024	2023	2022	2021
Total pension liability					
Service cost	\$ 214,521	\$ 220,120	226,589	214,102	\$ 201,583
Interest	1,271,620	1,242,164	1,191,512	1,167,441	1,077,328
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	183,878	(45,618)	200,741	(86,718)	303,294
Changes in assumptions	(39,276)	142,017	-	641,741	424,314
Benefit payments, including refunds of employee contributions	(1,015,112)	(942,059)	(891,872)	(846,575)	(807,602)
Other changes	-	-	-	-	-
Net change in total pension liability	615,631	616,624	726,970	1,089,991	1,198,917
Total pension liability, beginning of year	<u>18,110,884</u>	<u>17,494,260</u>	<u>16,767,290</u>	<u>15,677,299</u>	<u>14,478,382</u>
Total pension liability, end of year	18,726,515	18,110,884	17,494,260	16,767,290	15,677,299
Plan fiduciary net position					
Employer contributions	1,033,562	1,317,816	692,672	934,319	876,263
Employee contributions	21,579	23,367	24,719	24,372	22,974
Net investment income (loss)	861,046	1,171,668	(1,257,261)	1,345,559	1,224,175
Benefit payments, including refunds of employee contributions	(1,015,112)	(942,059)	(891,872)	(846,575)	(807,602)
Administrative expense	(25,643)	(24,231)	(20,867)	(15,913)	(17,407)
Net change in plan fiduciary net position	875,432	1,546,561	(1,452,609)	1,441,762	1,298,403
Plan fiduciary net position, beginning of year	<u>11,527,589</u>	<u>9,981,028</u>	<u>11,433,637</u>	<u>9,991,875</u>	<u>8,693,472</u>
Plan fiduciary net position, end of year	12,403,021	11,527,589	9,981,028	11,433,637	9,991,875
City's net pension liability	\$ 6,323,494	\$ 6,583,295	\$ 7,513,232	\$ 5,333,653	\$ 5,685,424
Plan fiduciary net position as a percentage of total pension liability	66.2%	63.7%	57.1%	68.2%	63.7%
Covered payroll	\$ 1,813,420	\$ 1,890,413	\$ 1,889,747	\$ 1,959,997	\$ 1,903,758
City's net pension liability as a percentage of covered payroll	348.7%	348.2%	397.6%	272.1%	298.6%

See notes to required supplementary information.

Year Ended June 30,

2020	2019	2018	2017	2016
\$ 181,805	\$ 172,794	\$ 171,025	\$ 158,884	\$ 150,483
1,064,790	1,006,720	980,467	941,665	885,802
-	-	-	(9,030)	-
(40,422)	291,822	(115,185)	78,624	43,707
442,434	-	-	-	611,497
(778,394)	(721,534)	(696,521)	(679,937)	(643,796)
-	-	-	(2,967)	-
870,213	749,802	339,786	487,239	1,047,693
<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>
<u>14,478,382</u>	<u>13,608,169</u>	<u>12,858,367</u>	<u>12,518,581</u>	<u>12,031,342</u>
 1,109,004	504,525	498,734	1,350,358	413,578
21,827	21,026	18,906	6,698	-
1,010,140	(304,061)	934,658	652,394	(89,378)
(778,394)	(721,534)	(696,521)	(679,937)	(643,796)
(17,438)	(15,142)	(14,800)	(12,907)	(13,238)
 1,345,139	(515,186)	740,977	1,316,606	(332,834)
<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>8,693,472</u>	<u>7,348,333</u>	<u>7,863,519</u>	<u>7,122,542</u>	<u>5,805,936</u>
 <u>\$ 5,784,910</u>	<u>\$ 6,259,836</u>	<u>\$ 4,994,848</u>	<u>\$ 5,396,039</u>	<u>\$ 6,225,406</u>

60.0% 54.0% 61.2% 56.9% 48.3%

\$ 1,712,443 \$ 1,633,516 \$ 1,611,679 \$ 1,527,970 \$ 1,442,251

337.8% 383.2% 309.9% 353.2% 431.6%

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
2025	\$ 764,928	\$ 1,064,928	\$ 300,000	\$ 2,133,819	49.9%
2024	702,756	1,002,756	300,000	1,884,137	53.2%
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%

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.

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%.

In 2024, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.00% to 6.93%.

In 2025, amounts reported as changes in assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

Notes to Schedule of Contributions

Valuation Date	Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates (2025, based on the 12/31/2022 actuarial valuation):	
Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	9-14 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	7.00%, 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
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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

CITY OF FREMONT, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2025

	Special Revenue	Capital Projects	Permanent	Cemetery Perpetual Care	Totals
	Local Improvement	Capital Projects			
Assets					
Pooled cash and investments	\$ 355,690	\$ 151,964	\$ 420,766	\$ 928,420	
Receivables:					
Special assessments	<u>3,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,416</u>
Total assets	<u><u>\$ 359,106</u></u>	<u><u>\$ 151,964</u></u>	<u><u>\$ 420,766</u></u>	<u><u>\$ 931,836</u></u>	
Liabilities					
Account payable	<u>\$ -</u>	<u>\$ 6,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,297</u>
Deferred inflow of resources					
Unavailable revenue - special assessments	<u>3,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,416</u>
Fund balances					
Nonspendable	<u>-</u>	<u>-</u>	<u>420,766</u>	<u>420,766</u>	
Committed	<u>355,690</u>	<u>145,667</u>	<u>-</u>	<u>-</u>	<u>501,357</u>
Total fund balances	<u><u>355,690</u></u>	<u><u>145,667</u></u>	<u><u>420,766</u></u>	<u><u>420,766</u></u>	<u><u>922,123</u></u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 359,106</u></u>	<u><u>\$ 151,964</u></u>	<u><u>\$ 420,766</u></u>	<u><u>\$ 420,766</u></u>	<u><u>\$ 931,836</u></u>

CITY OF FREMONT, MICHIGAN

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2025

	Special Revenue	Capital Projects	Permanent	Cemetery Perpetual Care	Totals
	Local Improvement	Capital Projects			
Revenues					
Special assessments	\$ 28,342	\$ -	\$ -	\$ 28,342	
Intergovernmental:					
Local	-	108,679	-	108,679	
Charges for services	-	-	13,900	13,900	
Investment earnings	11,547	330	12,322	24,199	
Total revenues	39,889	109,009	26,222		175,120
Expenditures					
Current:					
Public works	-	2,735	-	2,735	
Community and economic development	26,213	-	-	26,213	
Capital outlay	-	184,429	-	184,429	
Total expenditures	26,213	187,164	-		213,377
Revenues over (under) expenditures	13,676	(78,155)	26,222		(38,257)
Other financing sources					
Transfers in	-	63,000	-	63,000	
Net change in fund balances	13,676	(15,155)	26,222		24,743
Fund balances, beginning of year	342,014	160,822	394,544		897,380
Fund balances, end of year	\$ 355,690	\$ 145,667	\$ 420,766		\$ 922,123

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, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Special assessments	\$ 30,200	\$ 30,200	\$ 28,342	\$ (1,858)
Investment earnings	7,500	7,500	11,547	4,047
Total revenues	37,700	37,700	39,889	2,189
Expenditures				
Current:				
Community and economic development	25,870	25,870	26,213	343
Net change in fund balance	11,830	11,830	13,676	1,846
Fund balance, beginning of year	342,014	342,014	342,014	-
Fund balance, end of year	\$ 353,844	\$ 353,844	\$ 355,690	\$ 1,846