

CITY OF FREMONT, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Fremont, Nebraska

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fremont, Nebraska, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fremont, Nebraska, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, on our consideration of the City of Fremont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and required supplementary information on pages 4 through 13 and 75 through 79 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying other supplementary information and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Amquist, Malthahn,
Galloway & Luth, P.C.*

Grand Island, Nebraska
March 30, 2012

**CITY OF FREMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended September 30, 2011**

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the City of Fremont, we offer readers of the City of Fremont financial statements this narrative overview and analysis of the financial activities of the City of Fremont for the fiscal year ended September 30, 2011.

Financial Highlights

- The assets of the City of Fremont exceeded its liabilities at the close of the most recent fiscal year by \$188,505,572 (*net assets*). Of this amount, \$42,129,001 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Fremont governmental funds reported combined ending net assets of \$65,575,909. Approximately 10.8 percent of this total amount, \$7,052,128, is *unrestricted net assets*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,758,345, or 29.7 percent of total General Fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Fremont's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Fremont's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Fremont is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying 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 future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Fremont that are principally supported by taxes and intergovernmental revenues (*governmental activities*)

CITY OF FREMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Fremont include general government, public safety, highways and streets, economic development and culture and recreation. The business-type activities of the City of Fremont include the Electric, Water, Sewer, Gas and Waste Transfer Enterprise Funds.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fremont, 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 of Fremont can be divided into two categories: governmental funds and proprietary 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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-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 near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Fremont maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Fund, and the Sales Tax Fund, all of which are considered to be major funds. Data from the other 17 governmental 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 of Fremont adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, and Sales Tax Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

CITY OF FREMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Proprietary funds. The City of Fremont maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Fremont uses enterprise funds to account for its Electric, Water, Sewer, Gas and Waste Transfer Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Fremont's various functions.

The City of Fremont uses internal service funds to account for its employee health insurance, workers' compensation insurance and employee wellness fund. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, Sewer, Gas and Waste Transfer Funds, all of which are considered to be major funds of the City of Fremont.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.

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 notes to the financial statements can be found on pages 24-74 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Fremont's budgetary comparison schedules. Required supplementary information can be found on pages 75-79 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 80-83 of this report.

CITY OF FREMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Fremont, assets exceeded liabilities by \$188,505,572 at the close of the most recent fiscal year.

Summary of Net Assets

	September 30, 2011			September 30, 2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 35,528,701	\$ 44,990,583	\$ 80,519,284	\$ 35,149,828	\$ 41,848,893	\$ 76,998,721
Capital Assets	37,368,537	117,180,346	154,548,883	33,898,616	119,493,400	153,392,016
Total Assets	<u>72,897,238</u>	<u>162,170,929</u>	<u>235,068,167</u>	<u>69,048,444</u>	<u>161,342,293</u>	<u>230,390,737</u>
Long-term Liabilities	4,374,729	34,100,490	38,475,219	5,728,242	35,460,175	41,188,417
Other Liabilities	2,946,600	5,140,776	8,087,376	5,135,136	5,218,784	10,353,920
Total Liabilities	<u>7,321,329</u>	<u>39,241,266</u>	<u>46,562,595</u>	<u>10,863,378</u>	<u>40,678,959</u>	<u>51,542,337</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	33,119,051	83,407,847	116,526,898	29,425,793	84,266,540	113,692,333
Restricted	25,404,730	4,444,943	29,849,673	9,925,328	4,880,308	14,805,636
Unrestricted	7,052,128	35,076,873	42,129,001	18,833,945	31,516,486	50,350,431
Total Net Assets	<u>\$ 65,575,909</u>	<u>\$ 122,929,663</u>	<u>\$ 188,505,572</u>	<u>\$ 58,185,066</u>	<u>\$ 120,663,334</u>	<u>\$ 178,848,400</u>

By far the largest portion of the City of Fremont's net assets (61.8 percent) reflects its investment in capital assets (land, infrastructure, buildings, machinery, vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Fremont uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Fremont's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Fremont's net assets (15.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$42,129,001) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Fremont is able to report positive balances in all three categories of net assets, both for the government as a whole and for its separate governmental and business-type activities.

CITY OF FREMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Expenses and Program Revenues – Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General government	\$ 1,958,089	\$ 1,483,932	\$ 318,944	\$ 2,875,363
Public safety	1,284,666	6,770,037	1,014,403	6,950,477
Public works	575,639	2,673,388	414,213	2,935,051
Environment and leisure	1,970,876	2,984,781	4,463,234	3,472,438
Non-departmental	-	283,860	-	112,272
Interest	-	187,542	-	206,797
Depreciation	-	1,624,690	-	1,566,235
Total	\$ 5,789,270	\$ 16,008,230	\$ 6,210,794	\$ 18,118,633

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
Charges for services	\$ 1,966,571	8.41 %	\$ 1,747,628	7.86 %
Operating grants and contributions	2,676,061	11.44	819,278	3.68
Capital grants and contributions	1,146,638	4.90	3,643,888	16.39
Property taxes	5,330,557	22.78	4,483,708	20.17
Motor vehicle taxes	459,738	1.96	437,126	1.97
Sales tax	5,537,196	23.66	5,140,320	23.12
TIF proceeds	-	-	212,011	0.95
Payments in lieu of taxes	2,565,645	10.96	2,415,924	10.87
Franchise taxes	278,088	1.19	267,351	1.20
State allocation	2,654,079	11.34	2,328,925	10.47
Keno	491,914	2.10	437,802	1.97
Special assessments	169,507	0.73	514,824	2.32
Miscellaneous	75,953	0.32	21,003	0.09
Interest	238,415	1.02	318,474	1.43
Gain (loss) on sale of assets	15,508	0.07	(24,803)	(0.11)
Transfer to other funds	(206,797)	(0.88)	(528,850)	(2.38)
Total	\$ 23,399,073	100.00 %	\$ 22,234,609	100.00 %

Net assets increased \$7,390,843 in the governmental funds during the year ended September 30, 2011.

Business-type activities. Business-type activities increased the City of Fremont's net assets by \$2,266,329, accounting for total growth of 23.5 percent of the total growth in the government's net assets for the year ended September 30, 2011. Key elements of this increase are as follows:

CITY OF FREMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 29,762,432	\$ 28,801,751	\$ 28,014,417	\$ 28,748,847
Water	2,794,106	2,638,136	2,473,215	2,512,841
Sewer	4,556,177	3,998,236	4,525,069	3,675,948
Gas	17,896,429	17,517,436	19,685,749	19,349,124
Waste transfer	1,272,536	1,325,422	1,417,433	1,377,747
Total	<u>\$ 56,281,680</u>	<u>\$ 54,280,981</u>	<u>\$ 56,115,883</u>	<u>\$ 55,664,507</u>

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2011</u>		<u>Year Ended September 30, 2010</u>	
Charges for services	\$ 56,062,991	99.14 %	\$ 56,064,544	99.15 %
Operating grants and contributions	197,612	0.35	(4,611)	(0.01)
Capital grants and contributions	21,077	0.04	55,950	0.10
Interest	192,385	0.34	222,732	0.39
Gain (loss) on sale of assets	(133,552)	(0.24)	(92,580)	(0.16)
Transfer from other funds	206,797	0.37	528,850	0.94
Total	<u>\$ 56,547,310</u>	<u>100.00 %</u>	<u>\$ 56,774,885</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

As noted earlier, the City of Fremont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Fremont's governmental funds reported combined ending fund balances of \$30,271,012. Approximately 12.4 percent of this total amount (\$3,749,005) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it has already been 1) restricted for debt service (\$195,586), 2) restricted for street improvements (\$8,967,847), 3) restricted for public safety (\$1,964,304), 4) restricted for infrastructure (\$3,254,457), 5) restricted for property tax relief (\$484,836), 6) restricted for economic development (\$4,444,857), 7) restricted for a variety of capital/special projects (\$2,659,369), 8) restricted for Federal programs (\$2,066,623), 9) restricted for community

CITY OF FREMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

betterment (\$1,241,851), 10) committed for code enforcement/defense (\$667,357), 11) assigned for budgetary stabilization (\$369,766), 12) assigned for downtown improvement projects (\$22,985) 13) assigned for the airport (\$18,181), 14) endowed as nonspendable principal (125,000), or 15) nonspendable prepaid expenses (\$38,988).

The General Fund is the chief operating fund of the City of Fremont. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,758,345. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 29.7 percent of total General Fund expenditures.

The fund balance of the City of Fremont's General Fund increased by \$1,320,559 during the current fiscal year, due in part to an increased property tax levy designed to increase fund balance by \$750,000 in anticipation of legal expenses incurred defending a controversial local ordinance.

Proprietary funds. The City of Fremont's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year were as follows: Electric Fund - \$25,357,149, Water Fund - \$1,286,565, Sewer Fund - \$1,640,793, Gas Fund - \$6,211,753 and Waste Transfer Fund - \$580,613. The change in net assets for the proprietary funds was as follows: Electric Fund - \$1,059,708, Water Fund - \$263,707, Sewer Fund - \$653,423, Gas Fund - \$340,070 and Waste Transfer Fund - (\$50,579). The increase in the Electric Fund was attributable to a November 2010 seven percent rate increase in the electric fund. Other factors concerning the finances of these five funds have already been addressed in the discussion of the City of Fremont's business-type activities.

Budgetary Highlights

There was no difference between the original budget and the final adopted budget for the City of Fremont.

Capital Asset and Debt Administration

Capital Assets. The City of Fremont's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$154,548,883 (net of accumulated depreciation). This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

Significant items placed in service during the current year at their installed values:

- 81.2 acres of land for development of Technology Park - \$1,629,566
- Electric distribution system improvements - \$1,014,503
- Land acquisition north of electric plant cooling tower - \$450,977

CITY OF FREMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

- Fire pumper truck - \$363,829
- Shuttlewagon rail car mover - \$339,330
- Egg-shaped digester coating and insulation (WWTP) - \$335,043
- First Street reconstruction, Garden City to Howard- \$328,087
- Water system improvements - \$261,261
- Luther Road sanitary sewer bypass - \$217,326
- Blower addition for aeration basins - \$216,571

Significant additions to Construction in Progress for continuing projects, with the current year expenditures noted:

- Airport runway extension - \$785,061
- 19th Street reconstruction - \$325,765
- Brownfield project - \$301,251
- Downtown infrastructure improvements - \$300,640

City of Fremont's Capital Assets
(net of depreciation)

	Year Ended September 30, 2011			Year Ended September 30, 2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Land	\$ 6,591,223	\$ 4,167,295	\$ 10,758,518	\$ 4,981,956	\$ 3,716,318	\$ 8,698,274
Construction in Progress	7,379,224	722,422	8,101,646	5,527,284	827,658	6,354,942
Infrastructure	12,028,309	-	12,028,309	12,220,786	-	12,220,786
Buildings and Improvements	8,830,948	-	8,830,948	9,164,581	-	9,164,581
Machinery and Equipment	2,538,833	5,213,467	7,752,300	2,004,009	4,838,150	6,842,159
Distribution Systems, Buildings, and Equipment	-	106,641,185	106,641,185	-	109,474,608	109,474,608
Office Furniture and Equipment	-	217,866	217,866	-	280,825	280,825
Vehicles	-	218,111	218,111	-	355,841	355,841
Total	\$ 37,368,537	\$ 117,180,346	\$ 154,548,883	\$ 33,898,616	\$ 119,493,400	\$ 153,392,016

Additional information on the City of Fremont's capital assets can be found in Note C4 on pages 50-52 of this report.

Long-term debt. At the end of the current fiscal year, the City of Fremont had total bonded debt, notes, and capital leases payable outstanding of \$38,955,470.

CITY OF FREMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

City of Fremont's Outstanding Debt

	Year Ended September 30, 2011			Year Ended September 30, 2010		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
General Obligation Bonds	\$ 4,165,000	\$ -	\$ 4,165,000	\$ 4,365,000	\$ -	\$ 4,365,000
Revenue Bonds	-	34,200,000	34,200,000	-	35,530,000	35,530,000
Notes Payable	138,250	429,750	568,000	159,250	548,000	707,250
Capital leases payable	10,568	11,902	22,470	17,242	19,042	36,284
Total	<u>\$ 4,313,818</u>	<u>\$ 34,641,652</u>	<u>\$ 38,955,470</u>	<u>\$ 4,541,492</u>	<u>\$ 36,097,042</u>	<u>\$ 40,638,534</u>

The City of Fremont's total debt decreased by \$1,683,064 (4.1 percent). The City took advantage of historically low interest rates and refunded two combined utilities revenue bonds during the current year.

The City of Fremont maintains an AA minus bond rating from Standard & Poors.

Additional information on the City of Fremont's long-term debt can be found in Note C6 on pages 53-57 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property tax asking for the year ending September 30, 2012 is \$4,936,943, which is 7.9 percent lower than the asking for the year ended September 30, 2011, due primarily to an decrease of 2.8 mils to the mil levy designed to generate \$375,000 less in property taxes than in 2011. This is in anticipation of the costs related to defending and implementing a citizen-initiated petition ordinance that resulted in the City being sued by various groups. The City Council committed \$667,357 at September 30, 2011 for this purpose. There was no other change in the property tax rate.
- The City Council enacted two new four-percent occupation taxes for the 2012 fiscal year, one on telecommunications monthly services (tax projected to be \$475,000 annually), and one on lodging sales (tax projected to be \$120,000 annually), to respond to the loss of State Aid to Cities (2011 aid was \$208,000).
- The City has budgeted and expects to make significant expenditures for the following capital projects during the next fiscal year, (expenditures for capital projects will be dependent upon actual revenues remaining within budgeted levels):
 - Bell Street improvements (Linden to Cuming) - \$2,565,000
 - Brownfield project - \$2,333,619
 - Various citywide paving and resurfacing projects - \$2,225,000
 - West Military widening and drainage - \$2,180,000
 - Oversize water mains for developments - \$1,700,000
 - Trails project - \$1,493,416
 - Emissions control improvements to electric system - \$750,000
 - Odor control improvements (WWTP) - \$750,000
 - Airport apron on n/s taxiway - \$360,000

CITY OF FREMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), Continued
For The Year Ended September 30, 2011

- Downtown street and sidewalk improvements - \$600,000
 - Miscellaneous paving districts - \$580,000
 - Public safety answering point consolidation with Dodge County (equipment only) - \$540,941
 - 69 KV line north east - \$500,000
 - Transformer replacements - \$400,000
 - Miscellaneous water, sewer and paving projects - \$230,000
-
- Investment income is expected to be half of 2011 revenues reported, due to prevailing interest rates and not because of a decrease in investments.

 - The City Council approved a 7.5 percent increase in rates for the Electric Fund effective November 2011.

All of these factors were considered in preparing the City of Fremont's budget for the 2012 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City of Fremont's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Fremont, 400 E. Military Avenue, Fremont, NE 68025.

CITY OF FREMONT, NEBRASKA
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,454,503	\$ 10,876,721	\$ 16,331,224	\$ 41
Investments	2,824,897	14,549,456	17,374,353	50,000
County treasurer cash	233,066	-	233,066	30,247
Receivables:				
Special assessments	482,451	-	482,451	-
Accounts, net of allowance for doubtful accounts	400,107	1,486,553	1,886,660	-
Unbilled revenue	-	2,873,351	2,873,351	-
Interest	91,670	70,338	162,008	-
Property tax	61,676	-	61,676	-
Receivable/payable to other funds	(12,318)	12,318	-	-
Due from other governments	798,755	197,612	996,367	-
Inventory	-	9,168,765	9,168,765	-
Prepaid expenses	38,988	173,212	212,200	-
Total current assets	<u>10,373,795</u>	<u>39,408,326</u>	<u>49,782,121</u>	<u>80,288</u>
Noncurrent assets:				
Restricted cash and cash equivalents	11,024,443	725,760	11,750,203	-
Restricted investments	11,463,661	3,987,344	15,451,005	-
Notes receivable	2,602,470	-	2,602,470	-
TIF receivables	-	-	-	1,308,973
Unamortized bond costs	64,332	869,153	933,485	-
Capital assets:				
Land	6,591,223	4,167,295	10,758,518	-
Construction in progress	7,379,224	722,422	8,101,646	-
Other capital assets, net of depreciation	23,398,090	112,290,629	135,688,719	-
Net capital assets	<u>37,368,537</u>	<u>117,180,346</u>	<u>154,548,883</u>	<u>-</u>
Total noncurrent assets	<u>62,523,443</u>	<u>122,762,603</u>	<u>185,286,046</u>	<u>1,308,973</u>
Total assets	<u>72,897,238</u>	<u>162,170,929</u>	<u>235,068,167</u>	<u>1,389,261</u>
LIABILITIES				
Current liabilities:				
Accounts payable	634,249	2,052,677	2,686,926	30,247
Claims liability	209,990	596	210,586	-
Accrued expenses	1,323,027	1,469,490	2,792,517	21,370
Due to other governments	659	-	659	-
Deferred revenue	541,002	-	541,002	-
Customer deposits	-	62,622	62,622	-
Current portion of long-term obligations	237,673	1,555,391	1,793,064	-
Total current liabilities	<u>2,946,600</u>	<u>5,140,776</u>	<u>8,087,376</u>	<u>51,617</u>
Noncurrent liabilities:				
TIF payables	-	-	-	1,057,806
Compensated absences	298,584	746,068	1,044,652	-
Fly ash liability/closure costs payable	-	268,161	268,161	-
Noncurrent portion of long-term obligations	4,076,145	33,086,261	37,162,406	600,000
Total noncurrent liabilities	<u>4,374,729</u>	<u>34,100,490</u>	<u>38,475,219</u>	<u>1,657,806</u>
Total liabilities	<u>7,321,329</u>	<u>39,241,266</u>	<u>46,562,595</u>	<u>1,709,423</u>
NET ASSETS				
Invested in capital assets, net of related debt	33,119,051	83,407,847	116,526,898	-
Restricted for:				
Debt service	195,586	4,213,104	4,408,690	-
Fly ash disposal	-	231,839	231,839	-
Street improvements	8,967,847	-	8,967,847	-
Federal grant programs	2,066,623	-	2,066,623	-
Other purposes	14,174,674	-	14,174,674	-
Unrestricted	7,052,128	35,076,873	42,129,001	(320,162)
Total net assets	<u>\$ 65,575,909</u>	<u>\$ 122,929,663</u>	<u>\$ 188,505,572</u>	<u>\$ (320,162)</u>

See notes to financial statements.

CITY OF FREMONT, NEBRASKA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 1,483,932	\$ 129,450	\$ 1,828,639
Public safety	6,770,037	759,699	524,967
Public works	2,673,388	414,622	161,017
Environment and leisure	2,984,781	662,800	161,438
Non-departmental	283,860	-	-
Interest on long-term debt	187,542	-	-
Depreciation and amortization	1,624,690	-	-
Total governmental activities	<u>16,008,230</u>	<u>1,966,571</u>	<u>2,676,061</u>
Business-type activities:			
Electric	28,801,751	29,610,864	151,568
Water	2,638,136	2,748,062	46,044
Sewer	3,998,236	4,535,100	-
Gas	17,517,436	17,896,429	-
Waste transfer	1,325,422	1,272,536	-
Total business-type activities	<u>54,280,981</u>	<u>56,062,991</u>	<u>197,612</u>
Total primary government	<u>\$ 70,289,211</u>	<u>\$ 58,029,562</u>	<u>\$ 2,873,673</u>
Component unit:			
Community Development Agency	<u>\$ 769,815</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets			Component Unit
	Governmental Activities	Business-type Activities	Total	
\$ -	\$ 474,157		\$ 474,157	
-	(5,485,371)		(5,485,371)	
-	(2,097,749)		(2,097,749)	
1,146,638	(1,013,905)		(1,013,905)	
-	(283,860)		(283,860)	
-	(187,542)		(187,542)	
-	(1,624,690)		(1,624,690)	
<u>1,146,638</u>	<u>(10,218,960)</u>	<u>\$ -</u>	<u>(10,218,960)</u>	
-	-	960,681	960,681	
-	-	155,970	155,970	
21,077	-	557,941	557,941	
-	-	378,993	378,993	
-	-	(52,886)	(52,886)	
<u>21,077</u>	<u>-</u>	<u>2,000,699</u>	<u>2,000,699</u>	
<u>\$ 1,167,715</u>	<u>(10,218,960)</u>	<u>2,000,699</u>	<u>(8,218,261)</u>	
<u>\$ -</u>				\$ (769,815)
General revenues:				
Taxes:				
Property	5,330,557	-	5,330,557	-
Motor vehicle	459,738	-	459,738	-
TIF proceeds	-	-	-	449,612
Sales tax	5,537,196	-	5,537,196	-
Payments in lieu of taxes	2,565,645	-	2,565,645	-
Franchise	278,088	-	278,088	-
State allocation	2,654,079	-	2,654,079	-
Keno	491,914	-	491,914	-
Special assessments	169,507	-	169,507	-
Miscellaneous	75,953	-	75,953	-
Interest income	238,415	192,385	430,800	41
Gain (loss) on sale of assets	15,508	(133,552)	(118,044)	-
Transfer (to) from other funds	(206,797)	206,797	-	-
Total general revenues	<u>17,609,803</u>	<u>265,630</u>	<u>17,875,433</u>	<u>449,653</u>
Change in net assets	<u>7,390,843</u>	<u>2,266,329</u>	<u>9,657,172</u>	<u>(320,162)</u>
Net assets - September 30, 2010	<u>58,185,066</u>	<u>120,663,334</u>	<u>178,848,400</u>	<u>-</u>
Net assets - September 30, 2011	<u>\$ 65,575,909</u>	<u>\$ 122,929,663</u>	<u>\$ 188,505,572</u>	<u>\$ (320,162)</u>

CITY OF FREMONT, NEBRASKA

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

September 30, 2011

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,384,598	\$ 1,297,934	\$ 4,983,515	\$ 5,172,662	\$ 14,838,709
Investments	1,774,706	2,750,000	7,150,000	1,563,852	13,238,558
County treasurer cash	180,992	36,330	-	15,744	233,066
Receivables:					
Special assessments	27,365	20,089	-	434,997	482,451
Accounts, net of allowance for doubtful accounts	354,921	3,313	-	38,350	396,584
Notes receivable	19,945	-	980,171	1,602,354	2,602,470
Interest	24,289	12,248	27,589	26,810	90,936
Property tax	61,676	-	-	-	61,676
Due from other governments	21,618	218,343	477,720	81,074	798,755
Due from other funds	152,524	300,061	994,067	36,290	1,482,942
Prepaid expenses	38,509	-	-	479	38,988
Total assets	\$ 6,041,143	\$ 4,638,318	\$ 14,613,062	\$ 8,972,612	\$ 34,265,135
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 161,781	\$ 257,797	\$ -	\$ 214,597	\$ 634,175
Accrued expenses	1,043,450	142,564	-	137,013	1,323,027
Due to other governments	659	-	-	-	659
Due to other funds	33,019	3,671	363,208	1,095,362	1,495,260
Deferred revenue	79,774	20,232	-	440,996	541,002
Total liabilities	1,318,683	424,264	363,208	1,887,968	3,994,123
Fund balances:					
Nonspendable:					
Permanent fund principal	-	-	-	125,000	125,000
Prepaid expenses	38,509	-	-	479	38,988
Restricted for:					
Debt service	-	-	-	195,586	195,586
Street improvements	-	4,214,054	4,753,793	-	8,967,847
Public safety	-	-	1,715,270	249,034	1,964,304
Infrastructure	-	-	3,254,457	-	3,254,457
Property tax relief	-	-	484,836	-	484,836
Economic development	-	-	4,041,498	403,359	4,444,857
Capital/special projects	-	-	-	2,659,369	2,659,369
Federal programs	-	-	-	2,066,623	2,066,623
Community betterment	-	-	-	1,241,851	1,241,851
Committed for:					
Code enforcement/defense	667,357	-	-	-	667,357
Assigned for:					
Budgetary stabilization	258,249	-	-	111,517	369,766
Other purposes	-	-	-	41,166	41,166
Unassigned	3,758,345	-	-	(9,340)	3,749,005
Total fund balances	4,722,460	4,214,054	14,249,854	7,084,644	30,271,012
Total liabilities and fund balances	\$ 6,041,143	\$ 4,638,318	\$ 14,613,062	\$ 8,972,612	\$ 34,265,135

See notes to financial statements.

CITY OF FREMONT, NEBRASKA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

September 30, 2011

Total fund balances - governmental funds		\$ 30,271,012
Amounts reported for governmental <i>activities</i> in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$54,218,830, and the accumulated depreciation is \$16,850,293.		37,368,537
Unamortized bond fees are not financial resources and therefore are not reported as assets in governmental funds.		64,332
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		2,484,430
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Compensated absences	\$ (298,584)	
Bonds and notes payable	<u>(4,313,818)</u>	<u>(4,612,402)</u>
Total net assets - governmental activities		<u>\$ 65,575,909</u>

See notes to financial statements.

CITY OF FREMONT, NEBRASKA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the year ended September 30, 2011

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 4,908,821	\$ -	\$ -	\$ 421,736	\$ 5,330,557
Motor vehicle	-	459,738	-	-	459,738
Sales tax	-	-	5,537,196	-	5,537,196
Payments in lieu of taxes	2,564,808	-	-	837	2,565,645
Franchise	278,088	-	-	-	278,088
Intergovernmental	794,579	2,140,719	-	3,340,788	6,276,086
Keno	-	-	-	491,914	491,914
Charges for services	1,607,749	42,838	8,989	473,313	2,132,889
Donations	142,949	-	-	32,362	175,311
Interest income	31,803	27,974	112,083	57,406	229,266
Other income	65,241	18,869	-	12,217	96,327
Total revenues	<u>10,394,038</u>	<u>2,690,138</u>	<u>5,658,268</u>	<u>4,830,573</u>	<u>23,573,017</u>
EXPENDITURES					
General government	2,494,642	-	662,897	1,232,680	4,390,219
Public safety	6,453,648	-	-	899,353	7,353,001
Public works	608,877	3,412,245	-	257,549	4,278,671
Environment and leisure	2,831,435	-	-	1,267,023	4,098,458
Employee insurance	283,860	-	-	-	283,860
Principal payments on debt	-	-	-	221,000	221,000
Interest on long-term debt	-	-	-	187,542	187,542
Total expenditures	<u>12,672,462</u>	<u>3,412,245</u>	<u>662,897</u>	<u>4,065,147</u>	<u>20,812,751</u>
Excess (deficiency) of revenues over expenditures	(2,278,424)	(722,107)	4,995,371	765,426	2,760,266
OTHER FINANCING SOURCES (USES)					
Transfers in	4,023,678	681,208	-	490,112	5,194,998
Transfers out	(424,695)	-	(4,537,450)	(439,650)	(5,401,795)
Net transfers	<u>3,598,983</u>	<u>681,208</u>	<u>(4,537,450)</u>	<u>50,462</u>	<u>(206,797)</u>
Net change in fund balances	1,320,559	(40,899)	457,921	815,888	2,553,469
Fund balances - September 30, 2010, as originally reported	3,359,408	4,254,953	13,791,933	6,311,249	27,717,543
Restatement of fund balances	42,493	-	-	(42,493)	-
Fund balances - September 30, 2010, as restated	<u>3,401,901</u>	<u>4,254,953</u>	<u>13,791,933</u>	<u>6,268,756</u>	<u>27,717,543</u>
Fund balances - September 30, 2011	<u>\$ 4,722,460</u>	<u>\$ 4,214,054</u>	<u>\$ 14,249,854</u>	<u>\$ 7,084,644</u>	<u>\$ 30,271,012</u>

See notes to financial statements.

CITY OF FREMONT, NEBRASKA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2011

Total net change in fund balances - governmental funds	\$ 2,553,469
Amounts reported for governmental <i>activities</i> in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$5,141,057), and capital lease principal payments (\$6,673) exceed depreciation expense (\$1,620,352) and loss on disposal (\$5,347) in the period.	3,522,031
The donation of land acquired for rehabilitation is not reported in governmental funds because it is not a current financial resource, but it is recorded in the government-wide financial statements as program direct expense of the rehabilitation program.	(45,437)
Bond fees are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the lives of the related bonds as amortization expense. This is the amount by which capitalized bond fees (\$0) are exceeded by amortization expense (\$4,337) in the period.	(4,337)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the Internal Service Fund is reported with governmental activities in the statement of activities.	1,177,863
The change in noncurrent compensated absences is reported as an expense in the statement of net assets. Noncurrent compensated absences are not reported in the governmental funds.	(33,746)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>221,000</u>
Change in net assets of governmental activities	<u>\$ 7,390,843</u>

See notes to financial statements.

CITY OF FREMONT, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

September 30, 2011

	Enterprise Funds					Total	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Gas Fund	Waste Transfer Fund		
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 7,117,215	\$ 781,796	\$ 1,573,908	\$ 1,144,369	\$ 259,433	\$ 10,876,721	\$ 1,640,237
Investments	11,037,084	-	713,461	2,448,911	350,000	14,549,456	1,050,000
Receivables:							
Accounts, net of allowance for doubtful accounts	903,667	142,676	177,626	167,226	95,358	1,486,553	3,523
Unbilled revenue	1,609,773	200,107	325,933	737,538	-	2,873,351	-
Due from other funds	1,050,308	-	-	-	5,767	1,056,075	-
Due from other governments	151,568	46,044	-	-	-	197,612	-
Interest	62,833	120	2,920	4,278	187	70,338	734
Inventory	6,068,232	366,352	157,097	2,577,084	-	9,168,765	-
Prepaid expenses	101,227	17,326	17,326	37,333	-	173,212	-
Total current assets	<u>28,101,907</u>	<u>1,554,421</u>	<u>2,968,271</u>	<u>7,116,739</u>	<u>710,745</u>	<u>40,452,083</u>	<u>2,694,494</u>
Noncurrent assets:							
Restricted cash and cash equivalents	-	725,760	-	-	-	725,760	-
Restricted investments	3,374,716	175,000	386,539	51,089	-	3,987,344	-
Unamortized bond costs	465,512	258,538	124,086	21,017	-	869,153	-
Capital assets:							
Land	2,016,534	1,890,618	143,803	116,340	-	4,167,295	-
Construction in progress	444,899	155,643	104,308	17,572	-	722,422	-
Depreciable capital assets	132,611,305	35,354,584	47,266,534	14,639,932	8,989	229,881,344	-
Less accumulated depreciation	(78,408,257)	(11,969,594)	(18,401,007)	(8,803,912)	(7,945)	(117,590,715)	-
Net capital assets	<u>56,664,481</u>	<u>25,431,251</u>	<u>29,113,638</u>	<u>5,969,932</u>	<u>1,044</u>	<u>117,180,346</u>	<u>-</u>
Total noncurrent assets	<u>60,504,709</u>	<u>26,590,549</u>	<u>29,624,263</u>	<u>6,042,038</u>	<u>1,044</u>	<u>122,762,603</u>	<u>-</u>
Total assets	<u>88,606,616</u>	<u>28,144,970</u>	<u>32,592,534</u>	<u>13,158,777</u>	<u>711,789</u>	<u>163,214,686</u>	<u>2,694,494</u>
LIABILITIES							
Current liabilities:							
Accounts payable	1,070,272	118,687	96,851	641,517	125,350	2,052,677	74
Due to other funds	3,544	798	1,039,415	-	-	1,043,757	-
Accrued payroll and vacation	547,442	29,975	77,836	109,248	4,782	769,283	-
Sales tax payable	176,907	27	-	161	-	177,095	-
Accrued interest payable	429,741	75,335	17,046	990	-	523,112	-
Customer deposits	62,122	500	-	-	-	62,622	-
Claims liability	596	-	-	-	-	596	209,990
Current portion of long-term obligations	712,272	555,708	254,081	33,330	-	1,555,391	-
Total current liabilities	<u>3,002,896</u>	<u>781,030</u>	<u>1,485,229</u>	<u>785,246</u>	<u>130,132</u>	<u>6,184,533</u>	<u>210,064</u>
Noncurrent liabilities:							
Fly ash liability	268,161	-	-	-	-	268,161	-
Compensated absences	454,134	42,534	96,330	153,070	-	746,068	-
Noncurrent portion of long-term obligations	20,358,288	9,054,394	3,179,628	493,951	-	33,086,261	-
Total noncurrent liabilities	<u>21,080,583</u>	<u>9,096,928</u>	<u>3,275,958</u>	<u>647,021</u>	<u>-</u>	<u>34,100,490</u>	<u>-</u>
Total liabilities	<u>24,083,479</u>	<u>9,877,958</u>	<u>4,761,187</u>	<u>1,432,267</u>	<u>130,132</u>	<u>40,285,023</u>	<u>210,064</u>
NET ASSETS							
Invested in capital assets, net of related debt	36,059,433	16,079,687	25,804,015	5,463,668	1,044	83,407,847	-
Restricted for:							
Debt service	2,874,716	900,760	386,539	51,089	-	4,213,104	-
Fly ash disposal	231,839	-	-	-	-	231,839	-
Unrestricted	25,357,149	1,286,565	1,640,793	6,211,753	580,613	35,076,873	2,484,430
Total net assets	<u>\$ 64,523,137</u>	<u>\$ 18,267,012</u>	<u>\$ 27,831,347</u>	<u>\$ 11,726,510</u>	<u>\$ 581,657</u>	<u>\$ 122,929,663</u>	<u>\$ 2,484,430</u>

See notes to financial statements.

CITY OF FREMONT, NEBRASKA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS**

For the year ended September 30, 2011

	Enterprise Funds					Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund	Waste Transfer Fund		
Operating revenues:							
Charges for services	\$ 29,481,775	\$ 2,689,811	\$ 4,514,576	\$ 17,896,429	\$ 1,272,536	\$ 55,855,127	4,398,748
Contributions from other funds	-	-	-	-	-	-	1,497,976
Other revenue	129,089	58,251	20,524	-	-	207,864	-
Total operating revenues	29,610,864	2,748,062	4,535,100	17,896,429	1,272,536	56,062,991	5,896,724
Operating expenses:							
Cost of power/gas	1,797,480	-	-	14,086,870	-	15,884,350	-
Production	17,053,557	344,814	1,667,134	-	-	19,065,505	-
Distribution	2,313,036	608,256	268,800	1,235,937	1,324,304	5,750,333	-
Customer accounting and collections	1,468,550	437,734	480,571	920,651	-	3,307,506	-
Administrative and general	343,760	957	420	222,330	-	567,467	4,049
Payments in lieu of taxes	1,865,000	-	150,000	540,000	-	2,555,000	-
Employee insurance	-	-	-	-	-	-	4,302,143
Workers' compensation	-	-	-	-	-	-	422,458
Depreciation	2,930,090	862,699	1,274,354	489,827	1,118	5,558,088	-
Amortization	32,744	11,324	8,986	1,367	-	54,421	-
Total operating expenses	27,804,217	2,265,784	3,850,265	17,496,982	1,325,422	52,742,670	4,728,650
Operating income (loss)	1,806,647	482,278	684,835	399,447	(52,886)	3,320,321	1,168,074
Nonoperating revenues (expenses):							
Interest income	157,770	2,565	10,988	18,755	2,307	192,385	9,152
Interest expense	(997,534)	(372,352)	(147,971)	(20,454)	-	(1,538,311)	-
Gain (loss) on sale of assets	(57,743)	(10,733)	(7,398)	(57,678)	-	(133,552)	637
Grant revenue	151,568	46,044	-	-	-	197,612	-
Contributed capital	-	-	21,077	-	-	21,077	-
Total nonoperating revenues (expenses)	(745,939)	(334,476)	(123,304)	(59,377)	2,307	(1,260,789)	9,789
Income (loss) before interfund transfers	1,060,708	147,802	561,531	340,070	(50,579)	2,059,532	1,177,863
Interfund transfers:							
Transfer from other funds	-	115,905	91,892	-	-	207,797	-
Transfer to other funds	(1,000)	-	-	-	-	(1,000)	-
Net transfers	(1,000)	115,905	91,892	-	-	206,797	-
Change in net assets	1,059,708	263,707	653,423	340,070	(50,579)	2,266,329	1,177,863
Net assets - September 30, 2010	63,463,429	18,003,305	27,177,924	11,386,440	632,236	120,663,334	1,306,567
Net assets - September 30, 2011	<u>\$ 64,523,137</u>	<u>\$ 18,267,012</u>	<u>\$ 27,831,347</u>	<u>\$ 11,726,510</u>	<u>\$ 581,657</u>	<u>\$ 122,929,663</u>	<u>\$ 2,484,430</u>

See notes to financial statements.

CITY OF FREMONT, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS**

For the year ended September 30, 2011

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 29,622,375	\$ 2,755,259
Receipts from other funds	-	-
Payments to other funds	(1,865,000)	-
Payments to suppliers	(14,083,245)	(474,973)
Payments to employees	(8,286,001)	(913,611)
Net cash provided (used) by operating activities	5,388,129	1,366,675
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	-	115,905
Transfers to other funds	(1,000)	-
Interfund loans	275,829	738
Net cash provided (used) by noncapital financing activities	274,829	116,643
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(2,037,424)	(333,090)
Proceeds from issuance of capital debt, (net of issuance costs)	-	1,576,249
Principal payments on capital debt	(693,554)	(2,113,498)
Interest paid on capital debt	(1,007,999)	(377,363)
Increase in fly ash liability	229,842	-
Net cash used by capital and related financing activities	(3,509,135)	(1,247,702)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	(500,000)	-
Interest received on investments	140,403	2,609
Net cash provided (used) by investing activities	(359,597)	2,609
Increase (decrease) in cash and cash equivalents	1,794,226	238,225
Cash and cash equivalents - beginning of the year	5,322,989	1,269,331
Cash and cash equivalents - end of the year	\$ 7,117,215	\$ 1,507,556
Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 7,117,215	\$ 781,796
Restricted cash and cash equivalents	-	725,760
Total cash and cash equivalents	\$ 7,117,215	\$ 1,507,556

See notes to financial statements

Enterprise Funds				Internal Service Fund
Sewer Fund	Gas Fund	Waste Transfer Fund	Total	Fund
\$ 4,509,207	\$ 17,885,133	\$ 1,287,183	\$ 56,059,157	\$ -
-	-	-	-	5,893,473
(150,000)	(540,000)	-	(2,555,000)	-
(1,008,026)	(13,649,556)	(1,241,723)	(30,457,523)	(5,085,810)
(1,382,088)	(1,995,088)	(85,010)	(12,661,798)	-
<u>1,969,093</u>	<u>1,700,489</u>	<u>(39,550)</u>	<u>10,384,836</u>	<u>807,663</u>
91,892	-	-	207,797	-
-	-	-	(1,000)	-
(266,036)	(4,044)	(5,728)	759	-
<u>(174,144)</u>	<u>(4,044)</u>	<u>(5,728)</u>	<u>207,556</u>	<u>-</u>
(695,398)	(291,604)	-	(3,357,516)	-
1,805,194	520,163	-	3,901,606	-
(2,050,727)	(552,611)	-	(5,410,390)	-
(122,514)	(21,221)	-	(1,529,097)	-
-	-	-	229,842	-
(1,063,445)	(345,273)	-	(6,165,555)	-
(600,000)	(1,000,000)	(70,000)	(2,170,000)	-
9,143	17,797	2,391	172,343	10,042
<u>(590,857)</u>	<u>(982,203)</u>	<u>(67,609)</u>	<u>(1,997,657)</u>	<u>10,042</u>
140,647	368,969	(112,887)	2,429,180	817,705
<u>1,433,261</u>	<u>775,400</u>	<u>372,320</u>	<u>9,173,301</u>	<u>822,532</u>
<u>\$ 1,573,908</u>	<u>\$ 1,144,369</u>	<u>\$ 259,433</u>	<u>\$ 11,602,481</u>	<u>\$ 1,640,237</u>
\$ 1,573,908	\$ 1,144,369	\$ 259,433	\$ 10,876,721	\$ 1,640,237
-	-	-	725,760	-
<u>\$ 1,573,908</u>	<u>\$ 1,144,369</u>	<u>\$ 259,433</u>	<u>\$ 11,602,481</u>	<u>\$ 1,640,237</u>

CITY OF FREMONT, NEBRASKA

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS, Continued**

For the year ended September 30, 2011

	Enterprise Funds	
	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,806,647	\$ 482,278
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,930,090	862,699
Amortization expense	32,744	11,324
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	8,640	7,197
Inventories	864,605	32,091
Prepaid expenses	31,947	514
Accounts payable	(253,410)	(28,597)
Accrued payroll and vacation	10,906	195
Accrued compensated absences	(39,459)	161
Other accrued expenses	(7,452)	(1,187)
Customer deposits	2,321	-
Warranty reserve	550	-
Net cash provided (used) by operating activities	\$ 5,388,129	\$ 1,366,675

See notes to financial statements.

<u>Enterprise Funds</u>					<u>Internal Service Fund</u>
<u>Sewer Fund</u>	<u>Gas Fund</u>	<u>Waste Transfer Fund</u>	<u>Total</u>		
\$ 684,834	\$ 399,448	\$ (52,886)	\$ 3,320,321	\$	1,168,074
1,274,354	489,827	1,118	5,558,088		-
8,986	1,367	-	54,421		-
(25,893)	(11,296)	14,647	(6,705)		(3,251)
1,613	717,887	-	1,616,196		-
514	926	-	33,901		-
15,375	93,455	(2,761)	(175,938)		74
7,137	6,628	422	25,288		-
2,173	2,991	-	(34,134)		-
-	(744)	(90)	(9,473)		(357,234)
-	-	-	2,321		-
-	-	-	550		-
<u>\$ 1,969,093</u>	<u>\$ 1,700,489</u>	<u>\$ (39,550)</u>	<u>\$ 10,384,836</u>		<u>\$ 807,663</u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
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CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fremont, Nebraska (City) are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note.

1. Financial Reporting Entity

The City of Fremont, Nebraska, was incorporated in 1871. The City operates under a Mayor-Council form of government with an elected Mayor and an elected legislative body, Council, composed of eight members. The Mayor is elected at large for a four-year term, and the eight members of the City Council are elected, two from each of four wards, on alternating four-year terms. The administration of the City government is performed under the direction of the Mayor by the City Administrator. Services provided to residents include public safety; highways and streets; planning and zoning; parks; recreation; urban development; electric, water and sanitary sewer systems; gas; waste transfer and general administrative services.

The City's financial reporting entity comprises the following:

Primary Government: City of Fremont

Discretely Presented Component Unit: Community Development Agency

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14 and Statement No. 39, and has included all organizations that make up the City's legal entity and all component units. Consistent with applicable guidance, the criteria used by the City to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The City includes organizations as component units under the following financial accountability criteria:

- (1) Organizations for which the City Council appoints a voting majority of the organization's governing body and for which (a) the City is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.
- (2) Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the City.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

1. Financial Reporting Entity, continued

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City by appropriate activity type to compose the primary government presentation. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The following is the discretely presented component unit:

Community Development Agency

Accounts for the resources for payment of principal and interest on tax increment financing bonds issued by the Community Development Agency of the City of Fremont. These bonds were issued to provide long-term financing for the several development areas. These bonds are payable only from real estate taxes on certain property located within these plan areas and do not constitute general obligations of the Agency or the City.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the City's general obligation bonds.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Governmental Funds, continued

Capital Projects Fund

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Internal Service Funds

The internal service funds account for activities that provide goods and services to other funds, departments or agencies of the primary government and its component units on a cost-reimbursement basis.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

<u>Fund</u>	<u>Brief Description</u>
<i>Major:</i>	
Governmental:	
General	See above for description.
Street	The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Sales Tax	The Sales Tax Fund is a Special Revenue Fund that accounts for local sales tax collected.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

<u>Fund</u>	<u>Brief Description</u>
Proprietary: Enterprise: Electric, Water, Sewer, Gas, and Waste Transfer	See above for description.
<i>Nonmajor:</i>	
Debt Service	See above for description.
Capital Projects	See above for description.
Special Revenue: Municipal Transit	Accounts for Federal and State grant funds used for bus service.
Paving and Sidewalk Districts	Accounts for the collection of special assessments on various paving and sidewalk districts.
Park Special Projects	Accounts for park fees and charges to be used for park special projects.
Downtown Improvement District	Accounts for improvements and maintenance of downtown business area using occupation taxes.
Public Use Property Special Projects	Accounts for donations for public use property special projects.
Christensen Field Project	Accounts for donations for Christensen Field projects.
On-Street Parking	Accounts for improvements and maintenance of on-street parking area using parking fees. This fund was reestablished during the current year.
Keno Fund	Accounts for the City's share of the Keno gaming proceeds.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. Basis of Presentation, continued

Major and Nonmajor Funds, continued

<u>Fund</u>	<u>Brief Description</u>
<i>Nonmajor, continued:</i>	
Special Revenue, continued:	
CDBG Fund	Accounts for revolving loans funded by CDBG grants.
Weatherization EDA (HUD)	Accounts for weatherization revolving loans funded by HUD grants.
Economic Enhancement	Accounts for economic enhancement programs of the City.
Airport Fund	Accounts for the operation and maintenance of the municipal airport.
Enhanced 911	Accounts for the per-line telephone surcharge for the emergency communications system.
Drug Task Force	Accounts for Federal grant proceeds and payments from surrounding governmental entities under an interlocal agreement to combat drug use in Fremont and surrounding communities.
Wireless 911	Accounts for the per-line cell phone surcharge for the emergency communications system.
Internal Service:	
Insurance	Accounts for the workers' compensation, and health insurance, and other programs for all governmental-fund-type City operations.

3. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Measurement Focus and Basis of Accounting, continued

Basis of Accounting, continued

All proprietary funds and the discretely presented component unit utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

4. Assets, Liabilities, and Equity

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Investments

For the purpose of the Statement of Net Assets, “cash and cash equivalents” include all demand accounts and savings accounts. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer’s cash represents revenues collected not yet remitted to the City.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes B2, C1, and D2.

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.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include special assessments and property taxes. Business-type activities report utility billings as their major receivables.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Receivables, continued

In the fund financial statements, receivables in governmental funds include revenue accruals such as special assessments and property taxes, since they are usually both measurable and available. Proprietary fund receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Due from Other Governments

The total due from other governments includes the following material amounts:

<u>Fund</u>	<u>Amount</u>	<u>Service</u>
General	\$ 21,618	Grant reimbursement/ Library Commission payments
Street	218,343	Motor Vehicle/Gas Tax
Sales tax	477,720	Sales Tax
Municipal transit	12,884	Operating grant from State
Drug Task Force	4,926	Grant reimbursement
Wireless 911	4,766	Grant reimbursement
Special projects	58,498	Capital grant reimbursement
Water fund	46,044	Grant reimbursement
Electric fund	<u>151,568</u>	Capital grant reimbursement, FEMA
Total governmental funds	<u>\$ 996,367</u>	

Inventory

All inventories are valued at average cost, except natural gas, which is valued at cost using the first-in/first-out (FIFO) method.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets are related to debt service and proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are capitalized and reported on the Statement of Net Assets. The City has a \$5,000 capitalization threshold. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. The City has elected the depreciation approach for reporting infrastructure.

Depreciation of general capital assets and all proprietary capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

Buildings	20-50 years
Improvements	10-50 years
Machinery and equipment	3-20 years
Utility system	25-50 years

The cost of normal maintenance, preservation, and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Unamortized Bond Discounts

Bond discount fees for the Electric, Water, Sewer and General Funds are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Revenues

Deferred revenues consist of property taxes and special assessments expected to be collected after 60 days.

Compensated Absences

The City's policies regarding unused sick time permit employees to accumulate a portion of earned but unused sick leave. For employees with 20 years of service and a minimum of 300 unused sick hours, 40 percent of the unused hours are accrued up to a maximum of 480 hours per employee. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements governmental funds do not report the compensated absence liability since it is not payable from expendable available financial resources. The proprietary funds report the total liability.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and notes payable and a fly ash liability.

Fund Financial Statements

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds and the discretely presented component unit is the same in the fund financial statements as it is in the government-wide statements.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Individual fund September 30, 2010 net assets for the governmental activities on the Government-wide Statement of Activities were restated to reclass fund balances with no net effect on the total net assets for governmental activities.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Effective October 1, 2010, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution.

Assigned—Amounts that are designated by the Mayor for a specific purpose but are not spendable until a budget ordinance is passed by the City Council.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

4. Assets, Liabilities, and Equity, continued

Equity Classifications, continued

Fund Financial Statements, continued

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 16). Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Mayor. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

September 30, 2010, net assets for the governmental activities in the Government-wide Statements were restated as follows:

	Governmental Activities <u>Net Assets</u>
General Fund	
Reclass accrued payroll liability to Drug Task Force Fund	\$ 42,493
Drug Task Force Fund	
Reclass accrued payroll liability from General Fund	<u>(42,493)</u>
Total restatement of governmental net assets at September 30, 2010	<u>\$ -</u>

5. Revenues, Expenditures, and Expenses

Sales and Use Tax

The City presently levies a one-and-one-half-cent sales tax on taxable sales within the City. The sales tax is to be used for the following purposes:

- 1/2% – 60 percent for infrastructure and 40 percent for public safety
- 1/2% – for property tax relief
- 1/2% – divided in equal thirds for economic development, street improvements, and public safety

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Sales and Use Tax, continued

The sales tax is collected by the Nebraska Department of Revenue and remitted to the City in the month following receipt. The Nebraska Department of Revenue receives the sales tax approximately one month after collection by vendors.

Sales taxes collected by the State in September (which represents sales for August) and received by the City in October have been accrued and are included under the caption “Due from other governments.”

Property Taxes

The City has the power to levy taxes each year sufficient to pay any judgment existing against the City, the interest on bonded debt, and the principal on bonded debt maturing during the fiscal year or within six months thereafter, as well as taxes authorized by state law.

The tax levies for all political subdivisions in Dodge County are certified by the County Board on or before October 15. Real estate taxes are due on December 31 and attach as an enforceable lien and become delinquent in two equal installments on May 1 and September 1. Personal property taxes are due in the same manner as real estate taxes. Delinquent taxes bear 14 percent interest.

Property taxes levied for 2010-2011 are recorded as revenue when expected to be collected within 60 days after September 30, 2011. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as deferred revenue on the fund balance sheets.

The City-owned electric and gas utilities make payments in lieu of taxes. The Electric Department paid \$1,865,000, the Sewer Department paid \$150,000 and the Gas Department paid \$540,000 during the year ended September 30, 2011.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Revenues, Expenditures, and Expenses, continued

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character and function

Proprietary funds – by operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations. An analysis of the City's compliance with significant laws and regulations and demonstration of its stewardship over City resources follows:

1. Fund Accounting Requirements

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include: General, Special Revenue, and Debt Service Funds.

2. Deposit Laws and Regulations

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

2. Deposit Laws and Regulations, continued

State law requires collateralization of all deposits with federal depository insurance or with U.S. Treasury and U.S. agency securities having an aggregate value at least equal to the amount of the deposits. The City's cash deposits, including certificates of deposit, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing demand deposits, up to \$250,000 for interest-bearing time deposits/savings, and all non-interest-bearing deposits are insured. Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the City's name.

3. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources are described in Note A2 for the various funds.

4. Debt Restrictions and Covenants

Bonds Payable

The various bond ordinances relating to the bonds payable contain some restrictions or covenants that are financial-related. These include covenants such as debt service coverage requirements and required reserve account balances. The City is in compliance with the bond restrictions and covenants.

5. Budgetary Data

The City is required by state laws to adopt annual budgets for all fund types. Each budget is presented on the cash basis of accounting, which is consistent with the requirements of the state budget act.

The Nebraska Budget Act provides the prescribed budget practices and procedures that governing bodies are required to follow. The amounts that may be budgeted for certain specific funds are subject to various expenditure and/or tax levy limitations.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

5. Budgetary Data, continued

The City follows these procedures in establishing the budgetary data reflected in the accompanying financial statements.

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end and any revisions require board approval.
- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.
- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Fremont adopts a budget by ordinance for all fund types.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, equity, revenues and expenditures/expenses.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

1. Cash and Investments

The City's policies regarding deposits of cash are discussed in Note A4. The table presented below is designed to disclose how its deposits were insured or secured with collateral at September 30, 2011. The categories of collateral are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City's name; or collateralized with no written or approved collateral agreement.

<u>Types of Deposits</u>	<u>Total Bank Balance</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total Carrying Value</u>
Demand deposits, money markets, and certificates of deposit	\$ 60,801,573	\$ 34,815,348	\$ 25,986,225	\$ -	\$ <u>60,956,826</u>

Reconciliation to Government-wide Statement of Net Assets:

Primary Government -

Cash and Cash Equivalents –

Unrestricted

\$ 16,331,224

Restricted

11,750,203

Investments –

Unrestricted

17,374,353

Restricted

15,451,005

Component Unit –

Unrestricted cash and cash equivalents

41

Unrestricted investments

50,000

\$ 60,965,826

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

2. Restricted Assets

The restricted assets as of September 30, 2011, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Type of Restricted Assets:			
Cash and cash equivalents	\$ 11,024,443	\$ 725,760	\$ 11,750,203
Investments	<u>11,463,661</u>	<u>3,987,344</u>	<u>15,451,005</u>
	<u>\$ 22,488,104</u>	<u>\$ 4,713,104</u>	<u>\$ 27,201,208</u>

Restricted governmental cash and investments consist of \$195,586 for debt service, \$8,967,847 for street improvements, \$2,066,623 for federal grant programs, \$1,557,177 for capital/special projects, \$1,241,831 for community betterment, \$2,755,443 for economic development, \$1,964,304 for public safety, \$3,254,457 for infrastructure, and \$484,836 for property tax relief.

The majority of the business-type restricted assets (\$4,213,104) relates to debt service reserves required by bond agreements. The remaining \$500,000 restricted investment is restricted to cover fly ash closure costs.

3. Accounts and Notes Receivable

Accounts receivable of the business-type activities consists of utilities receivables. Accounts receivable of the governmental activities consist of ambulance (60 percent), cable franchise tax (17 percent), Keno proceeds (6.6 percent), general fund fees assessed (6 percent), and other (10.4 percent) receivables. Receivables detailed at September 30, 2011, is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable	\$ 515,006	\$ 2,049,522	\$ 2,564,528
Allowance for doubtful accounts	<u>(114,899)</u>	<u>(562,969)</u>	<u>(677,868)</u>
Net accounts receivable	<u>\$ 400,107</u>	<u>\$ 1,486,553</u>	<u>\$ 1,886,660</u>

Notes receivable at September 30, 2011, consist of the following:

General Fund:

\$37,397 note receivable issued to Fremont Housing Authority on October 1, 2003. The non-interest-bearing note is due in 15 annual installments of \$2,493 commencing December 15, 2004, through December 15, 2018.

\$ 19,945

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

Sales Tax Fund:

LB840 Notes Receivable –

\$50,000 note issued June 23, 2004, to Southwark Metal Manufacturing Company. The non-interest-bearing loan is due in 60 quarterly installments of \$833 commencing December 1, 2004, through September 1, 2019.	26,667
\$50,000 note issued July 15, 2007 to Christensen Lumber, Inc. The non-interest-bearing loan is due in 20 quarterly installments of \$2,500 commencing September 25, 2007, through June 25, 2012.	7,500
\$125,000 note issued July 25, 2007 to Christensen Lumber, Inc.; performance-based loan at 0 percent interest and forgivable July 25, 2012, if job creation and maintenance requirements are met.	125,000
\$600,000 note issued November 16, 2007 to Overland Products; the non-interest-bearing loan is due in ten semi-annual installments of \$60,000 commencing May 1, 2008, through November 1, 2011.	180,000
\$200,000 and \$300,000 notes issued November 7, 2007 to Best Cobb, LLC were renegotiated into a single note for \$380,438 during the current year. The new loan bears interest at eight percent and is due in 76 monthly installments of \$6,409 commencing June 1, 2010, through September 1, 2016.	232,404
\$60,000 note issued June 18, 2007 to International Spices, Ltd.; performance-based loan at 0 percent interest and forgivable June 18, 2012 if job creation and maintenance requirements are met.	60,000

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

Sales Tax Fund, continued:

LB840 Notes Receivable, continued –

\$150,000 note issued November 7, 2008 to Merritt Equipment, Inc.; performance-based loan at 0 percent interest and forgivable November 7, 2013, if job creation and maintenance requirements are met. 150,000

\$40,000 note issued July 21, 2011 to Sycamore Leaf Solutions, LLC; performance-based loan at 0 percent and forgivable ratable over the five year period, through July 21, 2016, if job creation and relocation requirements are met. 40,000

Total LB840 notes receivable 821,571

\$550,197 note receivable issued to Fremont Public Schools April 1, 2004 under the Interlocal Agreement for Johnson Lake property improvements. The note bears interest of four percent and is due in 20 semiannual installments of \$33,648 commencing November 1, 2004, through April 1, 2014. 158,600

Total Sales Tax Fund notes receivable 980,171

Economic Enhancement Fund:

\$100,000 note receivable issued May 15, 2009 to Horizon Biofuels, Inc. The note is 0 percent interest payable and is due in 60 monthly installments of \$1,666 commencing July 1, 2009, through June 1, 2014. 55,000

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

CDBG Fund

\$145,000 note receivable issued October 1, 2000 to Kelly Industries, Inc; the note bears interest of five percent and is due in 144 monthly installments of \$1,341 commencing November 1, 2000, through October 1, 2012. 36,558

\$250,000 note receivable issued June 23, 2004 to Southwark Metal Manufacturing Company. The non-interest-bearing loan is due in 60 quarterly installments of \$4,167 commencing December 1, 2004, through September 1, 2019. 133,333

\$445,000 note receivable issued August 14, 2007 to Ready Tech Go. The note is non-interest-bearing and is due in 48 monthly installments of \$6,935 commencing September 2, 2008, through August 2, 2012. 67,068

\$10,000 note receivable issued August 14, 2007 to Ready Tech Go. Performance-based loan at 0 percent interest and forgivable August 14, 2012 if job creation and maintenance requirements are met. 10,000

\$150,000 note receivable issued September 27, 2006 to RK Aerials, LLC. The note is non-interest-bearing and is due in 84 monthly installments of \$1,786 commencing the first month after completion of the loan drawdown. 57,143

\$150,000 note receivable issued September 27, 2006 to RK Aerials, LLC. Performance-based loan at 0 percent interest and forgivable September 27, 2013, if job creation and maintenance requirements are met. (The full amount of the loan had not yet been advanced at September 30, 2009.) 103,427

\$150,000 note receivable issued November 23, 2009 to Verdant Environmental Services, LLC; the note bears interest of two percent and is due in 60 installments of \$2,629 commencing February 1, 2010, through January 1, 2015. 121,328

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

CDBG Fund, continued

\$600,000 note receivable issued February 18, 2011 to Hero Automotive, LLC; Performance-based loan at 0 percent interest and forgivable February 18, 2016 if job creation and maintenance and location requirements are met. 600,000

Total CDBG Fund notes receivable 1,128,857

Weatherization EDA (HUD) Fund:

\$4,945 note advances issued during the year ended September 30, 2011 to a Fremont resident under a CDBG weatherization loan. The loan will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period. 4,945

\$77,990 note receivables issued during the year ended September 30, 2011 to eight residents of Fremont under five CDBG weatherization loans. The loans will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period. 76,602

\$15,597 note receivable issued October 27, 2010 to a Fremont resident under a CDBG weatherization loan. The loan will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period. 14,167

\$64,153 note receivables issued during the year ended September 30, 2010 to four residents of Fremont under a CDBG weatherization loan. The loans will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period. 57,560

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

Weatherization EDA (HUD) Fund, continued:

\$64,395 note receivables issued January 28, 2010 to four residents of Fremont under a CDBG weatherization loan. The loans will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period. 54,199

\$11,547 note receivable to a resident of Fremont under two CDBG weatherization loans dated April 9, 2009. The loans are non-interest-bearing and will be forgiven 10 percent per year over a 10-year period. 8,853

\$20,000 note receivable issued October 9, 2008 to two residents of Fremont under a CDBG weatherization loan. The loan is non-interest-bearing and will be forgiven 10 percent per year over a 10-year period. 14,667

\$18,885 note receivable issued during the year ended September 30, 2008 to a resident of Fremont under a CDBG weatherization loan. Fifty percent of the loan is non-interest-bearing and is forgivable over a 10-year period, with the remaining 50 percent bearing interest at two percent. The repayable portion (\$9,423) is due in 120 monthly installments commencing September 1, 2007, through August 1, 2017. 11,405

\$12,534 note receivable issued to two residents of Fremont under a CDBG weatherization loan. The note bears interest of five percent and is due in 180 monthly installments of \$100 commencing April 1, 2004, through March 1, 2019. 7,347

\$20,000 note receivable issued to two residents of Fremont under a CDBG weatherization loan. The note bears interest of two percent and is due in 240 monthly installments of \$102 commencing June 1, 2007, through May 2027. 15,895

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

3. Accounts and Notes Receivable, continued

Weatherization EDA (HUD) Fund, continued:

\$4,685 note receivable issued to two residents of Fremont under a CDBG weatherization loan. Fifty percent of the loan is non-interest-bearing and is forgivable over a 10-year period, with the remaining 50 percent bearing interest at two percent. The repayable portion (\$2,343) is due in 120 monthly installments commencing July 1, 2007, through June 1, 2012. 1,716

Twenty-five housing rehab loans issued in prior years. The notes are non-interest-bearing and will be forgiven 10 percent per year over a period of 10 years. 151,141

Total Weatherization Fund notes receivable 418,497

Total notes receivable at September 30, 2011 \$ 2,602,470

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets

Capital asset activity for the year ended September 30, 2011, was as follows:

	<u>Balance at</u> <u>October 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass &</u> <u>Restatement</u>	<u>Balance at</u> <u>September 30, 2011</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 4,981,956	\$ 1,654,704	\$ (45,437)	\$ -	\$ 6,591,223
Construction in progress	5,527,284	2,822,575	-	(970,635)	7,379,224
Total capital assets not being depreciated	<u>10,509,240</u>	<u>4,477,279</u>	<u>(45,437)</u>	<u>(970,635)</u>	<u>13,970,447</u>
Other capital assets being depreciated:					
Infrastructure	18,476,695	80,148	-	409,339	18,966,182
Buildings and improvements	14,694,417	44,711	(13,798)	40,376	14,765,706
Machinery and equipment	5,503,741	538,919	(67,989)	541,824	6,516,495
Total other capital assets at historical cost	<u>38,674,853</u>	<u>663,778</u>	<u>(81,787)</u>	<u>991,539</u>	<u>40,248,383</u>
Less accumulated depreciation for:					
Infrastructure	(6,255,909)	(681,964)	-	-	(6,937,873)
Buildings and improvements	(5,529,836)	(413,373)	8,451	-	(5,934,758)
Machinery and equipment	(3,499,732)	(525,015)	67,989	(20,904)	(3,977,662)
Total accumulated depreciation	<u>(15,285,477)</u>	<u>(1,620,352) *</u>	<u>76,440</u>	<u>(20,904)</u>	<u>(16,850,293)</u>
Other capital assets, net	<u>23,389,376</u>	<u>(956,574)</u>	<u>(5,347)</u>	<u>970,635</u>	<u>23,398,090</u>
Governmental activities capital assets, net	<u>\$ 33,898,616</u>	<u>\$ 3,520,705</u>	<u>\$ (50,784)</u>	<u>\$ -</u>	<u>\$ 37,368,537</u>

* Depreciation expense was incurred by the following governmental activities:

General Fund

General government	\$ 83,367
Public safety:	
Police	100,672
Fire	104,292
Civil defense	10,493
Protective inspections	<u>2,050</u>
Total public safety	217,507

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets, continued

General Fund, continued

Public works:

Civil Engineering 283,372

Environment and leisure:

Culture and recreation 492,060

Total General Fund 1,076,306

Street Fund

454,288

Municipal Transit Fund

Environment and leisure 8,921

Airport Fund

Environment and leisure 80,837

Total governmental activities depreciation expense \$ 1,620,352

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

4. Capital Assets, continued

	<u>Balance at</u> <u>October 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	<u>Balance at</u> <u>September 30, 2011</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 3,716,318	\$ 450,977	\$ -	\$ -	\$ 4,167,295
Construction in progress	827,658	-	(105,236)	-	722,422
Total capital assets not being depreciated	4,543,976	450,977	(105,236)	-	4,889,717
Other capital assets being depreciated:					
Distribution systems, buildings, and equipment	207,720,071	1,934,385	(161,904)	-	209,492,552
Machinery and equipment	14,584,450	949,584	(190,630)	23,505	15,366,909
Office furniture and equipment	1,729,879	33,605	-	(51,935)	1,711,549
Vehicles	3,282,166	35,259	(14,617)	7,526	3,310,334
Total other capital assets at historical cost	227,316,566	2,952,833	(367,151)	(20,904)	229,881,344
Less accumulated depreciation for:					
Distribution systems, buildings, and equipment	(98,245,463)	(4,720,615)	114,711	-	(102,851,367)
Machinery and equipment	(9,746,300)	(587,886)	184,283	(3,539)	(10,153,442)
Office furniture and equipment	(1,449,054)	(76,598)	-	31,969	(1,493,683)
Vehicles	(2,926,325)	(172,989)	14,617	(7,526)	(3,092,223)
Total accumulated depreciation	(112,367,142)	(5,558,088)	313,611	20,904	(117,590,715)
Other capital assets, net	114,949,424	(2,605,255)	(53,540)	-	112,290,629
Business-type activities capital assets, net	<u>\$ 119,493,400</u>	<u>\$ (2,154,278)</u>	<u>\$ (158,776)</u>	<u>\$ -</u>	<u>\$ 117,180,346</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 2,930,090
Water	862,699
Sewer	1,274,354
Gas	489,827
Waste transfer	<u>1,118</u>
Business-type activities depreciation expense	<u>\$ 5,558,088</u>

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

5. Accounts Payable

Payables in the general, capital projects, other governmental and proprietary funds are primarily composed of payables to vendors.

6. Long-term Debt

The reporting entity’s long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2011:

<u>Type of Debt</u>	<u>Balance at October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2011</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes, and capital leases payable	<u>\$ 4,541,492</u>	<u>\$ -</u>	<u>\$ (227,674)</u>	<u>\$ 4,313,818</u>	<u>\$ 237,673</u>
Business-type Activities:					
Bonds, notes, and capital leases payable	<u>\$ 36,097,042</u>	<u>\$ 3,955,000</u>	<u>\$ (5,410,390)</u>	<u>\$ 34,641,652</u>	<u>\$ 1,555,391</u>

Governmental Activities

As of September 30, 2011, the governmental long-term liabilities consisted of the following:

Bonds and notes payable:

General obligation bonds for a swimming pool with an original issue amount of \$4,900,000 was issued August 1, 2006 with interest rates ranging from 3.70 percent to 4.55 percent. Interest is due in semiannual installments on February 1 and August 1. Principal is due in annual installments commencing August 1, 2008, through August 1, 2026.

\$ 4,165,000

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Governmental Activities, continued

Bonds and notes payable, continued:

Non-interest-bearing note payable to Nebraska Department of Aeronautics, due in monthly installments of \$1,750 through April 2018. 138,250

Capital lease obligation with Axis Capital, Inc. with an original amount of \$33,408 was issued during 2008. The lease is due in 60 monthly payments of \$556. 10,568

Total governmental long-term debt \$ 4,313,818

Current portion \$ 237,673

Noncurrent portion 4,076,145

Total \$ 4,313,818

Business-type Activities

As of September 30, 2011, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

Combined utilities revenue bonds, with an original issue amount of \$22,565,000, issued October 31, 2001, interest rates ranging from 2.9 - 5.0 percent. Interest is due in semi-annual installments on April 15 and October 15. Principal is due in annual installments commencing October 15, 2002, through October 15, 2026. \$ 20,285,000

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Business-type Activities, continued

Bonds payable, continued:

Combined utilities revenue bonds with an original issue amount of \$3,000,000 was issued September 3, 2008 interest rates ranging from 2.1 – 4.7 percent. Interest is due in semiannual installments on March 1 and September 1. Principal is due in annual installments commencing September 1, 2009, through September 1, 2028. 2,660,000

Combined utilities revenue refunding bonds with an original issue amount of \$8,460,000 was issued October 6, 2009. Interest is due in semi-annual installments on February 15 and August 15 with rates ranging from 1.0 - 4.0 percent. Principal is due in annual installments commencing August 15, 2010, through August 15, 2023. 7,300,000

Combined utilities revenue refunding bonds with an original issue amount of \$3,955,000 was issued July 19, 2011. Interest is due in semi-annual installments on March 1 and September 1 with rates ranging from 0.55 – 3.80 percent. Principal is due in annual installments commencing September 1, 2012, through September 1, 2025. 3,955,000

Total bonds payable 34,200,000

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Business-type Activities, continued

Notes payable:

The City signed a promissory note on December 10, 2003 with two individuals for the purchase of 95 acres of land. The note is for \$732,500 and is payable in 10 annual installments of \$73,250 plus interest. The interest rate is five percent for the first five years and one percent over the Wall Street Journal Prime Rate as of December 1, 2008 with a minimum interest rate of five percent for the remainder of the term. The final payment on the note is due January 3, 2014. 219,750

The City signed a promissory note on January 3, 2005 for the purchase of land. The note is for \$300,000 and is payable in 10 annual installments of \$30,000 plus interest. The interest rate is four percent. The final payment on the note is due January 3, 2015. 120,000

The City signed a promissory note on July 1, 2007 for the purchase of real estate. The note is for \$150,000 and is payable in 10 annual installments of \$15,000 plus interest. The interest rate is five percent. The final payment on the note is due January 1, 2017. 90,000

Total notes payable 429,750

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

6. Long-term Debt, continued

Business-type Activities, continued

Capital lease:

Capital lease obligation with Axis Capital, Inc., with an original amount of \$35,152 was issued during 2008. The lease is due in 60 monthly payments of \$595.

11,902

Total business-type activity long-term debt

\$ 34,641,652

Current portion

\$ 1,555,391

Noncurrent portion

33,086,261

Total

\$ 34,641,652

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2011 are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 237,673	\$ 181,097	\$ 1,555,391	\$ 1,433,848
2013	239,895	172,908	1,633,011	1,393,978
2014	246,000	164,307	1,668,250	1,347,412
2015	256,000	155,195	1,670,000	1,295,713
2016	266,000	145,560	1,710,000	1,242,320
2017-2021	1,408,250	562,963	9,590,000	5,240,771
2022-2026	1,660,000	231,368	13,755,000	2,510,903
2027-2031	-	-	3,060,000	95,390
	<u>\$4,313,818</u>	<u>\$1,613,398</u>	<u>\$ 34,641,652</u>	<u>\$ 14,560,335</u>

Fly Ash Closure Costs

The City currently has a fly ash disposal area. State and Federal laws require the City to close, monitor, and maintain the disposal area once capacity is reached. The estimated costs of closure and postclosure care as determined by the City are subject to changes due to the effects of inflation, revision of laws, changes in technology and other variables. As of September 30, 2011, the City had incurred a liability of \$268,161 for closure and postclosure costs for the disposal area.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

7. TIF Receivables/Payables

The Community Development Agency of the City of Fremont, Nebraska has undertaken a program for the redevelopment of certain blighted and substandard areas in the City. Under the program, various developers agree to create an increase in the project’s taxable valuation for real estate tax assessment purposes. The Community Development Agency receives the incremental real estate taxes paid on the projects and then uses the tax incremental financing (TIF) funds to assist the developer with the debt service related to the project costs. Estimated future receivables and payables under the redevelopment contracts were as follows as of September 30, 2011:

	<u>Receivable</u>	<u>Payable</u>
JAKK, LLC	\$ 353,296	\$ 353,296
TCK Leasing, LLC	409,088	409,088
MDI Limited Partnership	158,309	158,309
Logger Investments, LLC	137,113	137,113
South Broad Street	<u>251,167</u>	<u>-</u>
	<u>\$ 1,308,973</u>	<u>\$ 1,057,806</u>

8. Interfund Transactions and Balances

At September 30, 2011, the General Fund owed \$20,249 to the E911 Fund, \$12,676 to the Electric Fund and \$94 to the Waste Transfer Fund. The Sales Tax Fund owed \$64,929 to the General Fund, and \$298,279 to the Street Fund. The Street Fund owed the Electric Fund \$3,039 and \$632 to the Waste Transfer Fund. The Keno Fund owed \$81,583 to the General Fund, and \$39 to the Electric Fund. The Public Use Property Special Project Fund owed \$2,468 to the General Fund. The Municipal Transit Fund owed \$1,160 to the Electric Fund and \$7,614 to the Paving & Sidewalk Districts Fund. The On-Street Parking Fund owed the Paving & Sidewalk Districts Fund \$8,427. The CDBG Fund owed the Sales Tax Fund \$975,392. The Enhanced 911 Fund owed the Electric Fund \$1. The Drug Task Force Fund owed \$18,675 to the Sales Tax Fund and \$3 to the Electric Fund.

The Electric Fund owed the General Fund \$3,544, the Water Fund and the Sewer Fund each owed the Street Fund \$798 and 984 respectively, and the Sewer Fund owed the Waste Transfer Fund \$5,041. The Sewer Fund also owed the Electric Fund \$1,033,390 under an interfund loan agreement bearing interest of 2.5 percent.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS, continued

8. Interfund Transactions and Balances, continued

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Sales Tax	\$ 3,641,724	\$ -
Keno (nonmajor)	347,611	-
Public Use Property Special Projects (nonmajor)	17,013	-
Christensen Field (nonmajor)	15,000	-
Park Special Projects (nonmajor)	2,330	-
E911 (nonmajor)	-	(404,032)
Transit (nonmajor)	-	(18,163)
On-Street Parking (nonmajor)	-	(2,500)
Total General Fund	4,023,678	(424,695)
Street Fund:		
Sales tax	681,208	-
Sales Tax Fund:		
General	-	(3,641,724)
Street	-	(681,208)
Special projects	-	(10,221)
Water	-	(113,405)
Sewer	-	(90,892)
Total sales tax fund	-	(4,537,450)
Nonmajor Funds	490,112	(439,650)
Enterprise Funds	207,797	(1,000)
Total Operating Transfers	\$ 5,402,795	\$ (5,402,795)

9. Deficit Fund Balances

At September 30, 2011, the On-Street Parking Fund had a deficit fund balance of \$(9,340). The City expects to eliminate this deficit during the year ending September 30, 2012, by making interfund transfers of equity.

The Community Development Agency had a deficit net asset balance of \$(320,162) as of September 30, 2011. The CDA expects future TIF collections in excess of payables, especially on the South Broad Street project to eliminate the deficit net asset balance.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

The City participates in eight employee pension plans as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
City Gov't Employees Pension Plan	Defined Contribution Plan
City Administrator Pension Plan	Defined Contribution Plan
Police Plan (Pre-1984)	Defined Benefit Plan
Firefighters Plan (Pre-1984)	Defined Benefit Plan
Police Officers' Retirement Plan	Defined Contribution Plan
Firefighters' Retirement Plan	Defined Contribution Plan
City Department of Utilities and Library Dept. Pension Plan	Defined Contribution Plan
Deferred Compensation Plan	Qualified Deferred Compensation Plan

City Gov't Employees Pension Plan

The City of Fremont has a contributory defined contribution employees' pension plan in which the general employees, excluding the Library Department employees, of the City participate. Regular full-time employees with less than seven consecutive years of service will contribute five percent of their gross payroll and the City will match the five percent. For those regular full-time employees with seven or more consecutive years of service, the City will contribute 6.5 percent. Employees are eligible to participate after six months of continuous service and after attaining age 21. As of September 30, 2011, there were 66 participants in the plan.

All employees are fully vested in their own contributions and become vested in the City's contribution after seven years' participation in the plan.

For the year ended September 30, 2011, the City's total payroll and covered payroll under the plan was \$2,915,258 and \$2,887,475, respectively.

The employees and the City contributed \$144,376 and \$177,290, respectively, as required by the plan for the fiscal year ended September 30, 2011.

The City provided pension benefits for the City Administrator under a separate defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Administrator was eligible to participate from the date of employment. The City contributed 6.5 percent of the Administrator's salary and the Administrator contributed up to five percent of his salary. The City's contributions for the Administrator (and interest allocated to his account) are fully vested after entrance into the plan. The City's payroll for the City Administrator was \$74,934 in the year ended September 30, 2011. All contributions, including \$3,706 in employee contributions and \$4,818 in City contributions, have been transferred to the plan's trustee during the year ended September 30, 2011.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police and Firefighters Plans

The City of Fremont, Nebraska Police Officers' Retirement Plan (Police Plan) and the City of Fremont, Nebraska Firefighters' Retirement Plan (Firefighters Plan) are administered as follows:

- (1) Employees who were hired prior to January 1, 1984, the date at which the Police and Firefighters Plans were amended from defined benefit plans to their current status as defined contribution plans, were assured of receiving retirement benefits under the new plan at least as great as those under the old defined benefit plan.
- (2) Employees hired after January 1, 1984 are covered by the defined contribution plan, which is administered by a third party.

The employees hired prior to January 1, 1984 participate in both plans and will receive either their benefit from the defined contribution plan or defined benefit plan, whichever is greater. The City has funded their portion of the respective plan with the assets being held by a third party other than the administrator of the current defined contribution plan.

Based on the actuarial valuation dated January 1, 2011, it is anticipated that the unallocated account is not sufficient to provide the minimum defined benefits for the remaining pre-84 hires in the Police Plan. The estimated present value shortfall is \$230,130 for the remaining active members. If this shortfall were amortized over the working career of the remaining active Police Officers hired prior to 1983, then 77 percent of their pay (\$129,987 in 2011) would need to be contributed each year. The City contributed an additional \$129,987 on September 23, 2011.

Based on the actuarial valuation dated January 1, 2011, it is anticipated that the unallocated account is sufficient to provide the minimum defined benefits for the remaining pre-84 hires under the Firefighters Plan. Therefore, it is anticipated that no additional contribution will be required to be contributed to the unallocated account.

Police Plan

Plan Description

The Police Plan became effective November 18, 1965. Its provisions are covered by City ordinance. The Police Plan covers all employees classified as a police officer.

For the year ended September 30, 2011, the City's total payroll and covered payroll under the plan was \$2,176,989 and \$2,160,018, respectively.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police Plan, continued

Plan Description, continued

As of January 1, 2011, the date of the last actuarial valuation of the defined benefit plan, there were two active and three non-active participants in the Police Plan.

An employee with at least 25 years of service may retire as early as age 55. Normal retirement occurs at age 60 with a minimum of 21 years of service, if employed on or before November 18, 1965; otherwise, 25 years.

Under the Police Plan, normal retirees employed on or before January 1, 1984 would not receive an annuity benefit of less than 50 percent of regular pay. All current employees will receive a benefit based on their defined contribution account. An employee is 100 percent vested in his or her contributions, six percent of monthly compensation, and vests 40 percent after four years of service plus 10 percent for each year thereafter, up to 100 percent, in the City's contributions, a matching six percent.

Funding Status of Defined Benefit Plan

The projected retirement benefits at January 1, 2011, were determined through an actuarial valuation. The actuarial valuation was performed using the Aggregate Actuarial Cost Method, which determines the total cost of the projected pension benefits to all employees combined. This total cost is then spread over the average future remaining years to retirement for the employees. The cost is spread as a level percentage of compensation.

Significant actuarial assumptions used in the valuation included (a) a rate of return of seven percent for pre-retirement and 5.5 percent for post-retirement per annum, and (b) projected annual salary increases of four percent.

The pension benefit obligation, a standardized disclosure measure of the present value of pension benefits, intended to help assess the funding status of pensions, is as follows:

Fair value of plan assets at September 30, 2011	\$ 523,634
Benefit obligation	<u>614,056</u>
Funded status	\$ (<u>90,422</u>)
Prepaid (accrued) benefit cost recognized in the balance sheet	\$ <u> -</u>

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Police Plan, continued

Funding Status of Defined Contribution Plan

The Police employees are eligible on the first day of employment. The employees contribute six percent and the City contributes six percent. There were 59 participants in the plan as of September 30, 2011.

Contributions Required and Made

The actuarially determined recommended contribution under the defined benefit plan was zero, and no contributions were made for the year ended September 30, 2011.

Contributions made under the defined contribution portion of the Police Plan for the year ended September 30, 2011 were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 129,601	6.0%
Employee	<u>129,510</u>	<u>6.0</u>
	<u>\$ 259,111</u>	<u>12.0%</u>

Firefighters Plan

Plan Description

The Firefighters Plan became effective August 7, 1965. Its provisions are covered by City ordinance. The Firefighters Plan covers all employees classified as a Firefighter.

For the year ended September 30, 2011, the City's total payroll and covered payroll under the plan was \$1,416,959 and \$1,257,944, respectively.

As of January 1, 2011, the date of the last actuarial valuation of the defined benefit plan, there was one active and nine non-active participants in the Firefighters Plan.

An employee who has attained the age of 50 with 21 years of service may take early retirement with benefits reduced by the actuarial equivalent of their normal retirement at age 55.

Under the Firefighters Plan, normal retirees employed prior to January 1, 1984 would not receive an annuity benefit of less than 50 percent of regular pay. All current employees will receive a benefit based on their defined contribution account. An employee is 100 percent vested in his or her contributions, 6.5 percent of monthly compensation, and vests 40 percent after four years of service plus 10 percent for each year thereafter, up to 100 percent, in the City's contributions, 13 percent of monthly compensation.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Firefighters Plan, continued

Funding Status of Defined Benefit Plan

The projected retirement benefits at January 1, 2011 were determined through an actuarial valuation. The actuarial valuation was performed using the Aggregate Actuarial Cost Method, which determines the total cost of the projected pension benefits to all employees combined. This total cost is then spread over the average future remaining years to retirement for the employees. The cost is spread as a level percentage of compensation.

Significant actuarial assumptions used in the valuation included (a) a rate of return of seven percent for pre-retirement and 5.5 percent for post-retirement per annum, and (b) projected annual salary increases of five percent.

The pension benefit obligation, a standardized disclosure measure of the present value of pension benefits, intended to help assess the funding status of pensions, is as follows:

Fair value of plan assets at September 30, 2011	\$ 1,267,968
Benefit obligation	<u>1,127,887</u>
Funded status	\$ <u>140,081</u>
Prepaid (accrued) benefit cost recognized in the balance sheet	\$ <u> - </u>

Funding Status of the Defined Contribution Plan

The Fire employees are eligible on the first day of employment. The employees contribute 6.5 percent and the City contributes 13 percent. There were 44 participants in the plan as of September 30, 2011.

Contribution Required and Made

The actuarially determined recommended contribution under the defined benefit plan was zero, and no contributions were made for the year ended September 30, 2011.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Firefighters Plan, continued

Contribution Required and Made, continued

Contributions made under the defined contribution portion of the Firefighters Plan for the year ended September 30, 2011, were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 163,533*	13.0%
Employee	<u>76,098</u>	<u>6.5</u>
	<u>\$ 239,631</u>	<u>19.5%</u>

* This includes contributions for firefighters who were over age 55, who do not continue making payments.

City Department of Utilities and Library Department Pension Plan

The City of Fremont has a contributory defined contribution employees' pension plan in which the Utilities and Library Department employees of the City participate. Regular full-time employees with less than seven consecutive years of service will contribute five percent of their gross payroll and the City will match the five percent. For those regular full-time employees with seven or more consecutive years of service, the City will contribute 6.5 percent. Employees are eligible to participate after four months of continuous service and after attaining age 21. As of September 30, 2011, there were 169 participants in the plan.

All employees are fully vested in their own contributions and become vested in the City's contributions after seven years' participation in the plan.

For the year ended September 30, 2011, the City's total payroll and covered payroll under the plan was \$8,871,258 and \$8,795,532, respectively.

The employees and the City contributed \$439,779 and \$543,884, respectively, as required by the plan, for the fiscal year ended September 30, 2011.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

1. Employee Pension and Other Benefit Plans, continued

Deferred Compensation Plan

The City has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all City employees. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, unforeseeable emergency or permanent disability.

As of January 1, 1997, these funds were placed in trust, in accordance with IRS Code Section 457(g)(1). IRS Code Section 457(g)(1), applicable for plan year beginning January 1, 1997 states that “a plan maintained by an eligible employer shall not be treated as an eligible deferred compensation plan unless all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.” The deferred compensation plan as placed in trust is not subject to any creditors of the City.

The employees contributed \$266,319 and the City contributed \$0 under the plan for the year ended September 30, 2011.

2. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The City purchases commercial insurance and administers funds for certain self-insured programs. The City has self-insured itself for health benefits and workers’ compensation claims. The City maintains a workers’ compensation fund and a self-insured loss fund. The City provides first-dollar coverage for all workers’ compensation exposure, with insurance acting as an umbrella or excess coverage. The City is self-insured for workers’ compensation claims up to \$250,000 per occurrence. The City is also self-insured for health insurance claims up to \$85,000 of individual claims. The City currently has 298 employees being covered under the health benefit plan. The self-insurance programs are administered within the Internal Service Fund. The City maintains outside insurance coverage through various insurance policies covering buildings and their contents, equipment and property, and risk of loss due to employee dishonesty.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Settled claims in the past three years have not exceeded the commercial coverages. The City has estimated unsubmitted claims on health benefits, based on prior experience, to be \$160,000. This amount represents two months of subsequent claims. The City has also estimated the unsubmitted claims on workers' compensation, based on the claims for the two months subsequent to year end, to be \$49,990. This has been included as a current year expenditure. For all of the self-insured funds, unrestricted net assets of \$2,484,430 was in the Internal Service Fund at September 30, 2011. See note D9 for additional disclosures regarding this balance.

Deposits and Investments

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the City's investments at September 30, 2011 are held by the counterparties, not in the name of the City. The underlying securities consist of cash, certificates of deposit, and insured money market funds.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires that market conditions and investment securities be analyzed to determine the maximum yield to be obtained and to minimize the impact of rising interest rates. The investment maturities are as follows:

<u>Maturities by Month</u>	<u>Amount</u>
October 2011	\$ 6,470,000
December 2011	5,500,000
January 2012	500,000
February 2012	2,800,000
March 2012	5,600,000
April 2012	2,000,000
May 2012	500,000
June 2012	1,000,000
July 2012	600,000
August 2012	4,405,358
Due in more than 12 months	3,500,000
	<u>\$ 32,875,358</u>

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

2. Risk Management, continued

Deposits and Investments, continued

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investments consist of certificates of deposit and money market funds, minimizing credit risk associated with the City's investment portfolio.

Concentration of Credit Risk. The City's investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2011, the City's investments that represent more than five percent of total investments consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Fremont National Bank	\$ 1,150,000
Pinnacle Bank/Fremont	13,941,358
Pinnacle Bank/Columbus	10,184,000
Cornerstone Bank, Columbus	1,000,000
Two Rivers, Arlington	500,000
Platte Valley Bank, North Bend	350,000
Community Development Agency TIF Bond	600,000
Nebraska Public Agency Investment Trust	5,150,000
Totals	<u>\$ 32,875,358</u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City's investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2011.

3. Commitments and Contingencies

Construction

The City is a party to numerous contracts relating to construction and other capital addition projects. The City intends to fund the construction through operations or long-term financing.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Construction, continued

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2010</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
<u>Governmental:</u>				
Airport Runway 14/32	\$ 3,884,942	\$ 3,808,646	\$ 76,296	September 2012
Brownfield cleanup	92,400	-	92,400	April 2012
Bell Street widening	263,550	251,494	12,056	June 2012
Downtown sidewalk projects	478,372	436,186	42,186	November 2011
Johnson Park shelter/restroom	91,522	40,422	51,100	November 2011
19th Street reconstruction	376,123	325,682	50,441	June 2012
Main Street asphalt resurfacing	184,583	-	184,583	November 2011
Comprehensive plan	224,959	189,467	35,492	May 2012
Park & Rec master plan	27,500	24,853	2,647	May 2012
Downtown revitalization plan	29,985	-	29,985	March 2012
<u>Enterprise Funds:</u>				
Power Supply Study	241,700	220,931	20,769	April 2012
NE Water loop 30" main	45,900	29,835	16,065	August 2012
Military & Lincoln Water main repl	25,902	-	25,902	November 2011
Unit 6 & 7 Boiler Life Study	100,870	-	100,870	March 2012
Digester Lid Rehabilitation	120,315	-	120,315	May 2012
Water Main Replacement 6th St - C	123,565	46,045	77,520	May 2012
Roof repair - PP & WH	148,680	-	148,680	June 2012
72.5kV Breakers	107,685	-	107,685	May 2012
	<u>\$ 6,568,553</u>	<u>\$ 5,373,561</u>	<u>\$ 1,194,992</u>	

Closure and Postclosure Costs

The City of Fremont is required by state and federal laws and regulations to make annual contributions to finance fly ash closure and postclosure care. The City is in compliance with these requirements, and at September 30, 2011, investments of \$500,000 are held for these purposes. These investments are held in certificates of deposit and are presented on the City's balance sheet as Restricted Investments. Details of the restricted cash and investments are in Note A4 of the financial statements. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future electricity customers, taxpayers, or both.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Electric Department

The Electric Department entered into an agreement with Cloud Peak Energy Resources, LLC, effective January 1, 2011, through December 31, 2012. Under the terms of the agreement, the City must purchase 245,000 tons of coal each calendar year at an agreed-upon base price per ton, which will be adjusted each month for any variation in the Base BTU. As of September 30, 2011, the City had purchased 187,671 of the tons required under the first contract year.

The Electric Department has a rail transportation agreement with Union Pacific Railroad Company for coal shipping. The contract term is January 1, 2004, through December 31, 2011. Under terms of the agreement, the City must use Union Pacific to ship the greater of 90 percent of the coal purchased from Campbell and Converse Counties in Wyoming or 140,000 tons of coal during each calendar year. The agreed-upon base rate per net ton is adjusted quarterly, based on the percentage change in the rail cost adjustment factor.

During the current year, the Electric Department entered into a rail transportation agreement with Union Pacific Railroad Company for coal shipping. The contract term is January 1, 2012, through December 31, 2018. Under the terms of the agreement, the City must use Union Pacific to ship a minimum of 300,000 tons and a maximum volume of 400,000 tons for each twelve month period during the contract term. The agreed-upon base rate per net ton is adjusted quarterly, based on the percentage change in the rail cost adjustment factor, as well as a mileage-based fuel surcharge.

Gas Department

The Gas Department entered into an agreement to purchase natural gas from OGE Energy Resources on September 15, 2006. The agreement is effective November 1, 2006, through October 31, 2011. The MDQ volume under the contract is as follows: 9.081 MMBtu/day for November 2006 – March 2007, November 2007 – March 2008, November 2008 – March 2009, November 2009 – March 2010, and November 2010 – March 2011, and 7.453 MMBtu/day for April 2007 – October 2007, April 2008 – October 2008, April 2009 – October 2009, April 2010 – October 2010, and April 2011 to July 2011. The price is based on the monthly index published inside FERC's Gas Market Report.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

3. Commitments and Contingencies, continued

Gas Department, continued

The Gas Department entered into an agreement to purchase natural gas from OGE Energy Resources on September 27, 2011. The agreement is effective November 1, 2011, through October 31, 2016. The MDQ volume under the contract is as follows: 9.081 MMBtu/day for November 2011 – March 2012, November 2012 – March 2013, November 2013 – March 2014, November 2014 – March 2015, and November 2015 – March 2016, and 7.453 MMBtu/day for April 2012 – October 2012, April 2013 – October 2013, April 2014 – October 2014, April 2015 – October 2015, and April 2016 to July 2016. The price is based on the monthly index published inside FERC's Gas Market Report. Under the same agreement, the City has the callable right to purchase 0 - 5,000 MMBtu/day each November to March period. The agreement covers winter only from November 2011 through March 2012, November 2012 – March 2013; November 2013 – March 2014; and November 2015 – March 2016.

During the current year, the Gas Department entered into an agreement with BP Canada Energy Marketing Corp., for the callable right to purchase 0 – 808 MMBtu/day from November 1, 2011 to March 31, 2012.

Claims and Lawsuits

Various claims and lawsuits are pending against the City. During the year ended September 30, 2011 and the year ending September 30, 2012, the City levied an additional property tax to cover litigation and related costs and possible awards for attorney fees, costs and damages. At September 30, 2011, the City has fund balance committed for code enforcement/defense of \$667,357.

4. Major Customers

The City has one customer that was billed \$2,568,481 for electricity, \$2,844,647 for gas, and \$1,583,326 for sewer for the year ended September 30, 2011. This represents 8.7 percent of total electric billing, 15.9 percent of total gas billing, and 35.1 percent of total sewer billing, respectively, for the year ended September 30, 2011. (The billings represent 12.5 percent of total City utility billings.) This customer maintains a current status on monthly billings.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2011:

Parties to Agreement	Term	Description
Dodge County School District No. 1	10/31/2000 and 4/3/2002	Purchase of Johnson property and improvements on same
League Association of Risk Management	N/A	Provide risk management and insurance coverage
Dodge County, Village of Inglewood, LPNNRD	7/22/2003 - completion	Dike Study for reduction of flooding and damages from Platte River
LPNNRD	3/09/1998 - completion	Evaluate potential for channel cut-off levee project (south Fremont)
City of North Bend	9/21/1998 - termination	Building inspections upon request
Village of Inglewood	6/15/2009-6/15/2012	Keno lottery, CDBG projects, sewer and water systems
Omaha Public Power District	7/18/2010 - 7/18/2014	Provide reliable, cost effective energy related products and services
Counties: Dodge, Burt, Saunders, Colfax, Cuming, and Washington Cities: Dodge, Snyder, Scribner, Hooper, Uehling, Winslow, Nickerson, North Bend and Inglewood	12/01/2002 - 12/01/2012	Enhanced 911 services
Dodge County, Cuming County, and City of Blair	10/01/2009 - funds are exhausted	Drug task force
School District No. 1	10/15/2010 - 10/15/2011	Utility services
City of Oakland	6/01/2002 - termination	Disposal of sewer sludge
Cities of: Beatrice, Columbus, Fremont, Grand Island, Hastings, Kearney, Lexington, Norfolk, North Platte and Scottsbluff	10/11/2007 - termination	Facilitate performance of obligations under the laws of the State of Nebraska and the United States of America regarding the management of storm water
Saunders County	12/14/2004 - 12/14/2014	Provide consistent application of building and zoning codes within two-mile area of City of Fremont
Dodge County	1/20/2002 - termination	Use of wastewater residuals on crop land
Douglas County	12/08/2009 - 12/08/2014	Provide forensic and crime scene services
Northeast Nebraska Economic Development District	Upon termination	Creating and implementing community and economic development programs

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

6. EPA Emissions Allowances

As of September 30, 2011, the City had 3,298 SO₂ Emissions Allowances related to the Lon D. Wright Power Plant. The EPA has granted these allowances, which can be used to offset plant emissions. The allowances can be bought and sold. If each allowance was sold at the September 30, 2011, market value, the City would recognize \$5,411 revenue.

The City received an additional 1,285 credits each year through 2036. In 2012, the City will receive an additional one-time credit of 10,400 allowances.

7. Related Party Transactions

At September 30, 2011, the City had two notes receivable totaling \$77,068 issued to Ready Tech Go, a company owned by a former member of the City Council, who resigned his position in December of 2008 to fill a seat in the state unicameral. See note C3 for additional details on these two notes.

8. Union Contracts

The City is subject to the following union contracts:

- International Brotherhood of Electrical Workers Local 1536 Unit 5 – effective October 1, 2010 – September 30, 2013.
- American Federation of State, County and Municipal Employees, AFL/CIO Local 251 – effective October 1, 2010 – September 30, 2013.
- International Association of Fire Fighters Local 1015 – effective October 1, 2010 – September 30, 2013.
- Fraternal Order of Police, Local No. 37 – effective October 1, 2009 – September 30, 2010. The contract terms were extended until a Final Order was received from the Commission on Industrial Relations on August 9, 2011. Provisions were applied retroactively, but were not significant to operating results.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2011

NOTE D – OTHER NOTES, continued

9. Subsequent Events

Management has evaluated subsequent events through March 30, 2012, the date on which the financial statements were available for issue.

On October 4, 2011, the City refunded and called for payment the General Obligation Swimming Pool Bonds dated August 1, 2006, in the outstanding principal amount of \$4,165,000 by issuing General Obligation Swimming Pool Refunding Bonds in the principal amount of \$4,165,000. Interest is due in semi-annual installments on February 1 and August 1 with rates ranging from 0.35 – 3.40 percent. Principal is due in annual installments commencing August 1, 2012 through August 1, 2026.

On March 6, 2012, the City refunded and called for payment the Combined Utilities Revenue Refunding Bonds, Series 2001B, dated August 28, 2001, in the outstanding principal amount of \$19,855,000 by issuing Combined Utilities Revenue Refunding Bonds, Series 2012, in the principal amount of \$19,200,000. Interest is due in semi-annual installments on April 15 and October 15 with rates ranging from 0.35 – 4.0 percent. Principal is due in annual installments commencing October 15, 2012 through October 15, 2026.

During the year ended September 30, 2011, the City increased the employer contribution made to the self-insured health care plan due to significant increases in claims noted during the mid-year analysis. The 2012 employee and employer contributions were also based on that analysis of increased claims. Actual claims for the remainder of 2011 and beginning of 2012 did not sustain the projected trend for claims. On March 27, 2012, the City transferred the 2011 increased contribution that was not matched by employee contributions (\$398,640) back to the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

Year ended September 30, 2011

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 4,808,139	\$ 4,852,001	\$ 43,862
TIF proceeds	195,500	-	(195,500)
Payments in lieu of taxes	2,562,500	2,564,808	2,308
Franchise	255,000	278,088	23,088
Intergovernmental	874,392	781,739	(92,653)
Charges for services	1,284,000	1,597,757	313,757
Donations	249,121	142,949	(106,172)
Interest income	90,000	24,895	(65,105)
Other	7,918	65,241	57,323
	<hr/>	<hr/>	<hr/>
Total resources	10,326,570	10,307,478	(19,092)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	4,060,845	2,476,989	(1,583,856)
Public safety	7,510,772	6,407,979	(1,102,793)
Public works	669,262	604,568	(64,694)
Environment and leisure	3,280,112	2,811,398	(468,714)
Employee insurance	283,860	281,851	(2,009)
	<hr/>	<hr/>	<hr/>
Total charges to appropriations	15,804,851	12,582,785	(3,222,066)
Resources over (under) charges to appropriations	(5,478,281)	(2,275,307)	3,202,974
OTHER FINANCING SOURCES (USES)			
Transfers in	5,325,759	4,023,678	(1,302,081)
Transfers out	(516,796)	(424,695)	92,101
	<hr/>	<hr/>	<hr/>
Net transfers	4,808,963	3,598,983	(1,209,980)
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ (669,318)	\$ 1,323,676	\$ 1,992,994

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

Year ended September 30, 2011

	<u>Budget</u> (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 430,000	\$ 458,774	\$ 28,774
Intergovernmental	3,702,000	2,136,539	(1,565,461)
Charges for services	20,000	24,662	4,662
Interest income	80,000	30,603	(49,397)
Other income	-	18,869	18,869
	<hr/>	<hr/>	
Total resources	4,232,000	2,669,447	(1,562,553)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	<u>12,629,869</u>	<u>3,097,315</u>	<u>(9,532,554)</u>
Resources over (under) charges to appropriations	(8,397,869)	(427,868)	7,970,001
OTHER FINANCING SOURCES			
Transfers in	<u>6,150,000</u>	<u>681,208</u>	<u>(5,468,792)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (2,247,869)</u>	<u>\$ 253,340</u>	<u>\$ 2,501,209</u>

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND**

Year ended September 30, 2011

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Sales tax	\$ 5,079,275	\$ 5,513,260	\$ 433,985
Intergovernmental	67,296	-	(67,296)
Charges for services	10,000	8,989	(1,011)
Interest income	177,400	129,494	(47,906)
Bond proceeds	2,900,000	-	(2,900,000)
Loan repayment proceeds	<u>267,244</u>	<u>-</u>	<u>(267,244)</u>
Total resources	8,501,215	5,651,743	(2,849,472)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	<u>3,624,000</u>	<u>656,715</u>	<u>(2,967,285)</u>
Resources over (under) charges to appropriations	4,877,215	4,995,028	117,813
OTHER FINANCING USES			
Transfers out	<u>(11,595,400)</u>	<u>(4,537,450)</u>	<u>7,057,950</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES	<u>\$ (6,718,185)</u>	<u>\$ 457,578</u>	<u>\$ 7,175,763</u>

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULES -
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

Year ended September 30, 2011

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenue and Expenditures**

	<u>General Fund</u>	<u>Street Fund</u>	<u>Sales Tax Fund</u>
Sources/inflows of resources:			
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$10,307,478	\$ 2,669,447	\$ 5,651,743
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>86,560</u>	<u>20,691</u>	<u>6,525</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$10,394,038</u></u>	<u><u>\$ 2,690,138</u></u>	<u><u>\$ 5,658,268</u></u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$12,582,785	\$ 3,097,315	\$ 656,715
Differences - budget to GAAP:			
Cash to accrual adjustments	<u>89,677</u>	<u>314,930</u>	<u>6,182</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$12,672,462</u></u>	<u><u>\$ 3,412,245</u></u>	<u><u>\$ 662,897</u></u>

CITY OF FREMONT, NEBRASKA

**SCHEDULE OF FUNDING PROGRESS -
PUBLIC SAFETY EMPLOYEES RETIREMENT SYSTEM
(POLICE OFFICERS AND FIREFIGHTERS)**

Year ended September 30, 2011

<u>Actuarial Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Fund Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Covered Payroll</u>
1/1/2004	\$ 4,879,831	\$ 4,641,026	\$ -	100%	\$ 573,622	N/A
1/1/2009	1,865,859	1,777,780	-	100%	186,220	N/A
1/1/2011	1,804,625	1,741,943	-	100%	149,099	N/A

OTHER SUPPLEMENTARY INFORMATION

CITY OF FREMONT, NEBRASKA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2011

	Special Revenue Funds		
	Debt <u>Service</u>	Municipal <u>Transit</u>	Paving & Sidewalk <u>Districts</u>
ASSETS			
Cash and cash equivalents	\$ 209,369	\$ -	\$ 167,094
Investments	-	-	1,000,000
County treasurer cash	15,744	-	-
Receivables:			
Special assessments	-	-	434,997
Accounts, net of allowance for doubtful accounts	-	1,112	-
Notes	-	-	-
Interest	-	-	26,226
Due from other governments	-	12,884	-
Due from other funds	-	-	16,041
Prepaid expenses	-	-	-
	<u>\$ 225,113</u>	<u>\$ 13,996</u>	<u>\$ 1,644,358</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 234	\$ -
Due to other funds	-	8,774	-
Accrued expenses	29,527	2,953	-
Deferred revenue	-	1,112	434,997
	<u>29,527</u>	<u>13,073</u>	<u>434,997</u>
Fund balances (deficit):			
Nonspendable:			
Permanent fund principal	-	-	-
Prepaid expenses	-	-	-
Restricted for:			
Debt service	195,586	-	-
Public safety	-	-	-
Economic development	-	-	-
Capital/special projects	-	-	1,209,361
Federal programs	-	923	-
Community betterment	-	-	-
Assigned for:			
Budgetary stabilization	-	-	-
Airport	-	-	-
Downtown improvements/parking	-	-	-
Unassigned	-	-	-
	<u>195,586</u>	<u>923</u>	<u>1,209,361</u>
Total fund balances (deficit)	<u>195,586</u>	<u>923</u>	<u>1,209,361</u>
Total liabilities and fund balances	<u>\$ 225,113</u>	<u>\$ 13,996</u>	<u>\$ 1,644,358</u>

Special Revenue Funds

Park Special Projects	Downtown Improvement District	Public Use Property Special Projects	Christensen Field Project	On- Street Parking	Keno Fund
\$ 176,421	\$ 28,299	\$ 2,169	\$ 1	\$ -	\$ 1,075,005
-	-	213,852	-	-	250,000
-	-	-	-	-	-
-	-	-	-	-	-
-	1,854	-	-	-	26,662
-	-	-	-	-	-
-	-	108	-	-	96
-	-	-	-	-	-
-	70	-	-	-	-
<u>\$ 176,421</u>	<u>\$ 30,223</u>	<u>\$ 216,129</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,351,763</u>
\$ -	\$ 314	\$ -	\$ -	\$ 458	\$ 28,290
-	-	2,468	-	8,427	81,622
-	-	-	-	455	-
-	1,854	-	-	-	-
-	2,168	2,468	-	9,340	109,912
-	-	125,000	-	-	-
-	70	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
176,421	-	88,661	1	-	-
-	-	-	-	-	-
-	-	-	-	-	1,241,851
-	5,000	-	-	-	-
-	-	-	-	-	-
-	22,985	-	-	-	-
-	-	-	-	(9,340)	-
<u>176,421</u>	<u>28,055</u>	<u>213,661</u>	<u>1</u>	<u>(9,340)</u>	<u>1,241,851</u>
<u>\$ 176,421</u>	<u>\$ 30,223</u>	<u>\$ 216,129</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,351,763</u>

CITY OF FREMONT, NEBRASKA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS, Continued
September 30, 2011

	Special Revenue Funds		
	CDBG <u>Fund</u>	Weatherization <u>EDA (HUD)</u>	Economic <u>Enhancement</u>
ASSETS			
Cash and cash equivalents	\$ 1,486,779	\$ 19,740	\$ 247,979
Investments	-	-	100,000
County treasurer cash	-	-	-
Receivables:			
Special assessments	-	-	-
Accounts, net of allowance for doubtful accounts	-	73	-
Notes	1,128,857	418,497	55,000
Interest	-	-	380
Due from other governments	-	-	-
Due from other funds	-	-	-
Prepaid expenses	-	-	-
	<u>\$ 2,615,636</u>	<u>\$ 438,310</u>	<u>\$ 403,359</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,161	\$ 120	\$ -
Due to other funds	975,392	-	-
Accrued expenses	-	-	-
Deferred revenue	2,500	73	-
	<u>988,053</u>	<u>193</u>	<u>-</u>
Fund balances (deficit):			
Nonspendable:			
Permanent fund principal	-	-	-
Prepaid expenses	-	-	-
Restricted for:			
Debt service	-	-	-
Public safety	-	-	-
Economic development	-	-	403,359
Capital/special projects	-	-	-
Federal programs	1,627,583	438,117	-
Community betterment	-	-	-
Assigned for:			
Budgetary stabilization	-	-	-
Airport	-	-	-
Downtown improvements/parking	-	-	-
Unassigned	-	-	-
	<u>1,627,583</u>	<u>438,117</u>	<u>403,359</u>
Total fund balances (deficit)	<u>\$ 1,627,583</u>	<u>\$ 438,117</u>	<u>\$ 403,359</u>
Total liabilities and fund balances	<u>\$ 2,615,636</u>	<u>\$ 438,310</u>	<u>\$ 403,359</u>

<u>Special Revenue Funds</u>				<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Airport Fund</u>	<u>Enhanced E911</u>	<u>Drug Task Force</u>	<u>Wireless E911</u>	<u>Special Projects</u>	
\$ 286,130	\$ 120,042	\$ 157,985	\$ 65,528	\$ 1,130,121	\$ 5,172,662
-	-	-	-	-	1,563,852
-	-	-	-	-	15,744
-	-	-	-	-	434,997
1,360	7,289	-	-	-	38,350
-	-	-	-	-	1,602,354
-	-	-	-	-	26,810
-	-	4,926	4,766	58,498	81,074
-	20,249	-	-	-	36,290
-	-	409	-	-	479
<u>\$ 287,490</u>	<u>\$ 147,580</u>	<u>\$ 163,320</u>	<u>\$ 70,294</u>	<u>\$ 1,188,619</u>	<u>\$ 8,972,612</u>
\$ 162,332	\$ 1,045	\$ 7,949	\$ -	\$ 3,694	\$ 214,597
-	1	18,678	-	-	1,095,362
-	66,582	37,496	-	-	137,013
460	-	-	-	-	440,996
162,792	67,628	64,123	-	3,694	1,887,968
-	-	-	-	-	125,000
-	-	409	-	-	479
-	-	-	-	-	195,586
-	79,952	98,788	70,294	-	249,034
-	-	-	-	-	403,359
-	-	-	-	1,184,925	2,659,369
-	-	-	-	-	2,066,623
-	-	-	-	-	1,241,851
106,517	-	-	-	-	111,517
18,181	-	-	-	-	18,181
-	-	-	-	-	22,985
-	-	-	-	-	(9,340)
<u>124,698</u>	<u>79,952</u>	<u>99,197</u>	<u>70,294</u>	<u>1,184,925</u>	<u>7,084,644</u>
<u>\$ 287,490</u>	<u>\$ 147,580</u>	<u>\$ 163,320</u>	<u>\$ 70,294</u>	<u>\$ 1,188,619</u>	<u>\$ 8,972,612</u>

CITY OF FREMONT, NEBRASKA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the year ended September 30, 2011

		<u>Special Revenue Funds</u>	
	<u>Debt</u>	<u>Municipal</u>	<u>Paving &</u>
	<u>Service</u>	<u>Transit</u>	<u>Sidewalk</u>
		<u>Districts</u>	
REVENUES			
Property tax	\$ 421,736	\$ -	\$ -
Payments in lieu of taxes	837	-	-
Intergovernmental	-	67,880	-
Keno	-	-	-
Charges for services	-	2,643	169,507
Donations	-	-	-
Interest income	519	3	38,755
Other income	-	1,277	1
Total revenues	<u>423,092</u>	<u>71,803</u>	<u>208,263</u>
EXPENDITURES			
General government	450	-	-
Public safety	-	-	-
Public works	-	-	257,549
Environment and leisure	-	102,684	-
Principal payments on debt	200,000	-	-
Interest on long-term debt	187,542	-	-
Total expenditures	<u>387,992</u>	<u>102,684</u>	<u>257,549</u>
Excess (deficiency) of			
revenues over expenditures	35,100	(30,881)	(49,286)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	18,163	-
Net change in fund balances	35,100	(12,718)	(49,286)
Fund balances - September 30, 2010,			
as originally reported	160,486	13,641	1,258,647
Restatement of fund balance	-	-	-
Fund balances - September 2010, as restated	<u>160,486</u>	<u>13,641</u>	<u>1,258,647</u>
Fund balances - September 30, 2011	<u>\$ 195,586</u>	<u>\$ 923</u>	<u>\$ 1,209,361</u>

Special Revenue Funds

<u>Park Special Projects</u>	<u>Downtown Improvement District</u>	<u>Public Use Property Special Projects</u>	<u>Christensen Field Project</u>	<u>On- Street Parking</u>	<u>Keno Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	491,914
-	13,334	-	-	11,136	-
-	-	-	-	-	3,048
495	86	1,175	28	(7)	3,582
-	-	-	-	-	3,328
<u>495</u>	<u>13,420</u>	<u>1,175</u>	<u>28</u>	<u>11,129</u>	<u>501,872</u>
-	7,211	-	-	-	-
-	-	-	-	30,433	-
-	-	-	-	-	-
-	-	-	-	-	169,907
-	-	-	-	-	-
<u>-</u>	<u>7,211</u>	<u>-</u>	<u>-</u>	<u>30,433</u>	<u>169,907</u>
495	6,209	1,175	28	(19,304)	331,965
<u>(2,330)</u>	<u>(8,000)</u>	<u>(17,013)</u>	<u>(27,659)</u>	<u>8,000</u>	<u>(384,648)</u>
(1,835)	(1,791)	(15,838)	(27,631)	(11,304)	(52,683)
178,256	29,846	229,499	27,632	1,964	1,294,534
-	-	-	-	-	-
<u>178,256</u>	<u>29,846</u>	<u>229,499</u>	<u>27,632</u>	<u>1,964</u>	<u>1,294,534</u>
<u>\$ 176,421</u>	<u>\$ 28,055</u>	<u>\$ 213,661</u>	<u>\$ 1</u>	<u>\$ (9,340)</u>	<u>\$ 1,241,851</u>

CITY OF FREMONT, NEBRASKA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS , Continued**

For the year ended September 30, 2011

	Special Revenue Funds		
	CDBG <u>Fund</u>	Weatherization <u>EDA (HUD)</u>	Economic <u>Enhancement</u>
REVENUES			
Property tax	\$ -	\$ -	\$ -
Payment in lieu of taxes	-	-	-
Intergovernmental	1,642,662	82,935	-
Keno	-	-	-
Charges for services	-	-	-
Donations	-	-	-
Interest income	4,841	904	1,826
Other income	-	-	-
Total revenues	1,647,503	83,839	1,826
EXPENDITURES			
General government	1,056,169	69,712	12
Public safety	-	-	-
Public works	-	-	-
Environment and leisure	-	-	-
Principal payments on debt	-	-	-
Interest on long-term debt	-	-	-
Total expenditures	1,056,169	69,712	12
Excess (deficiency) of revenues over expenditures	591,334	14,127	1,814
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Net change in fund balances	591,334	14,127	1,814
Fund balances - September 30, 2010, as originally reported	1,036,249	423,990	401,545
Restatement of fund balance	-	-	-
Fund balances - September 30, 2010, as restated	1,036,249	423,990	401,545
Fund balances - September 30, 2011	\$ 1,627,583	\$ 438,117	\$ 403,359

<u>Special Revenue Funds</u>				<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Airport Fund</u>	<u>Enhanced E911</u>	<u>Drug Task Force</u>	<u>Wireless E911</u>	<u>Special Projects</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 421,736
-	-	-	-	-	837
753,958	-	365,308	57,865	370,180	3,340,788
-	-	-	-	-	491,914
111,050	165,643	-	-	-	473,313
-	-	-	-	29,314	32,362
450	340	-	136	4,273	57,406
1,406	-	6,205	-	-	12,217
<u>866,864</u>	<u>165,983</u>	<u>371,513</u>	<u>58,001</u>	<u>403,767</u>	<u>4,830,573</u>
-	-	-	-	99,126	1,232,680
-	543,929	321,169	3,822	-	899,353
-	-	-	-	-	257,549
893,755	-	-	-	100,677	1,267,023
21,000	-	-	-	-	221,000
-	-	-	-	-	187,542
<u>914,755</u>	<u>543,929</u>	<u>321,169</u>	<u>3,822</u>	<u>199,803</u>	<u>4,065,147</u>
(47,891)	(377,946)	50,344	54,179	203,964	765,426
-	404,032	-	-	59,917	50,462
(47,891)	26,086	50,344	54,179	263,881	815,888
172,589	96,359	48,853	16,115	921,044	6,311,249
-	(42,493)	-	-	-	(42,493)
<u>172,589</u>	<u>53,866</u>	<u>48,853</u>	<u>16,115</u>	<u>921,044</u>	<u>6,268,756</u>
<u>\$ 124,698</u>	<u>\$ 79,952</u>	<u>\$ 99,197</u>	<u>\$ 70,294</u>	<u>\$ 1,184,925</u>	<u>\$ 7,084,644</u>

SINGLE AUDIT REPORTS

CITY OF FREMONT, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2011

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Transportation</u>		
Passed through Nebraska Department of Roads:		
Formula Grants for Other Than Urbanized Areas	20.509	\$ 45,254
Passed through Nebraska Department of Aeronautics:		
Airport Improvement Program	20.106	<u>745,808</u>
Total Department of Transportation		791,062
<u>Environmental Protection Agency</u>		
Direct Award:		
Brownfields Assessment and Cleanup Grant	66.818	94,560
<u>Department of Justice</u>		
Passed through the Nebraska State Patrol:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	144,000
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.803	37,500
Organized Crime Drug Enforcement Task Forces Program	16.738	<u>1,683</u>
Total Department of Justice		183,183
<u>Department of Homeland Security</u>		
Passed through Nebraska Emergency Management Agency:		
Disaster Grants of Presidentially Declaired Disasters	97.036	153,616
Assistance to Firefighters Grant	97.044	81,923
State Homeland Security Program	97.073	<u>1,061</u>
Total Department of Homeland Security		236,600
<u>Department of Housing and Urban Development</u>		
Passed through Nebraska Department of Economic Development:		
Community Development Block Grant Cluster:		
Community Development Block Grant	14.228	1,172,494 *
ARRA Community Development Block Grant	14.255	<u>605,092 *</u>
Total Department of Housing and Urban Development		1,777,586
<u>Executive Office of the President</u>		
Passed through Nebraska State Patrol:		
High Intensity Drug Trafficking Area Program	95.001	<u>34,362</u>
Total Expenditures of Federal Awards		<u><u>\$ 3,117,353</u></u>

*Major Program

CITY OF FREMONT, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

Year ended September 30, 2011

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Fremont, Nebraska and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reporting entity for the Schedule of Expenditures of Federal Awards is the same as that defined in Note A to the financial statements.

NOTE B - FEDERAL LOAN PROGRAMS

The Revolving Loan Program is a Community Development Block Grant (CDBG) program whereby funds are made available to the City to loan to low- and moderate-income families for a variety of purposes and to businesses for economic development. These funds, once issued, are repaid to the City, who in turn reloans the funds to other low- to moderate-income families and businesses. The balance of loans outstanding as of September 30, 2011 is \$1,547,354.



SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
City of Fremont, Nebraska

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fremont, Nebraska as of and for the year ended September 30, 2011, which collectively comprise the City of Fremont, Nebraska's basic financial statements, and have issued our report thereon dated March 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fremont's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2011-1 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fremont's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Fremont, in a separate letter dated March 30, 2012.

This report is intended solely for the information and use of management, the State of Nebraska Auditor of Public Accounts, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Almgvist, Malthahn,
Galloway & Luth, P.C.

Grand Island, Nebraska
March 30, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

SHAREHOLDERS

Robert D. Almquist
Phillip D. Maltzahn
Terry T. Galloway
Marcy J. Luth
Heidi A. Ashby
Christine R. Shenk

To the Honorable Mayor and Members of the City Council
City of Fremont, Nebraska

Compliance

We have audited the compliance of the City of Fremont, Nebraska with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fremont, Nebraska's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Fremont, Nebraska complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

The management of the City of Fremont, Nebraska is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fremont, Nebraska's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the State of Nebraska Auditor of Public Accounts, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Almgvist, Malthoim,
Galloway & Luth, P.C.

Grand Island, Nebraska
March 30, 2012

CITY OF FREMONT, NEBRASKA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2011

1. A summary of auditors' results:

- (i) An unqualified opinion was issued on the financial statements of the City of Fremont, Nebraska as of September 30, 2011.
- (ii) One significant deficiency disclosed during the audit of the financial statements is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*." The significant deficiency is not reported as a material weakness.
- (iii) The audit did not disclose any noncompliance, which is material to the financial statements of the City of Fremont, Nebraska.
- (iv) The audit did not disclose any significant deficiencies in the internal control over major programs for the City of Fremont, Nebraska.
- (v) An unqualified opinion was issued on compliance for major programs.
- (vi) The audit did not disclose any audit findings which we are required to report under §__.510(a).
- (vii) Major Programs: CFDA #14.228 – Community Development Block Grant and #14.255 – ARRA Community Development Block Grant.
- (viii) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (ix) The City of Fremont, Nebraska, qualified as a low-risk auditee under §__.530.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

Reportable Condition

2011-1 Incompatible segregation of accounting duties consistent with appropriate control objectives due to the limited number of employees.

3. Findings and questioned costs for Federal awards which shall include audit findings as defined in §__.510(a).

None

CITY OF FREMONT, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended September 30, 2011

Program

Findings for the year ended September 30, 2010

None noted.