

CITY OF FREMONT, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2012

CITY OF FREMONT, NEBRASKA

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March 20, 2013

INDEPENDENT AUDITOR'S REPORT

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, each major fund, and the aggregate remaining fund information of City of Fremont, Nebraska (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Fremont, Nebraska'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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, each major fund, and the aggregate remaining fund information of the City of Fremont, Nebraska, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2013, on our consideration of the City of Fremont, Nebraska'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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 – 11), budgetary comparison information (pages 67 – 70) and schedule of funding progress – public safety employees' retirement system (page 71) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fremont, Nebraska's financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining non-major fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The schedule of federal expenditures and awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The combining non-major fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

HSMC Orizon LLC
HSMC ORIZON LLC

**CITY OF FREMONT, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the City of Fremont, Nebraska (the "City" or "City of Fremont") we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Fremont for the fiscal year ended September 30, 2012.

Financial Highlights

- The assets of the City of Fremont exceeded its liabilities at the close of the most recent fiscal year by \$197,466,880 (*net assets*). Of this amount, \$49,208,962 (*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 activities reported combined ending net assets of \$68,783,616. Approximately 12.2 percent of this total amount, \$8,424,765, is *unrestricted net assets*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,029,927, or 43.3 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*) 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 activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2012

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 three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *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 non-major 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 14 - 17 of this report.

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 18 - 21 of this report.

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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 22 - 66 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 67 - 70 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 72 - 75 of this report.

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 \$197,466,880 at the close of the most recent fiscal year.

Summary of Net Assets

	September 30, 2012			September 30, 2011 (restated)		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Current and Other Assets	\$ 37,423,318	\$ 50,386,810	\$ 87,810,128	\$ 36,917,962	\$ 44,990,583	\$ 81,908,545
Capital Assets	38,502,840	116,224,057	154,726,897	37,368,537	117,180,346	154,548,883
Total Assets	75,926,158	166,610,867	242,537,025	74,286,499	162,170,929	236,457,428
Long-term Liabilities	5,091,157	32,325,291	37,416,448	5,432,535	34,100,490	39,533,025
Other Liabilities	2,051,385	5,602,312	7,653,697	3,003,725	5,140,776	8,144,501
Total Liabilities	7,142,542	37,927,603	45,070,145	8,436,260	39,241,266	47,677,526
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	34,426,696	83,007,446	117,434,142	33,119,051	83,407,847	116,526,898
Restricted	25,932,155	4,891,621	30,823,776	25,859,816	4,444,943	30,304,759
Unrestricted	8,424,765	40,784,197	49,208,962	6,898,765	35,076,873	41,975,638
Total Net Assets	\$ 68,783,616	\$ 128,683,264	\$ 197,466,880	\$ 65,877,632	\$ 122,929,663	\$ 188,807,295

By far the largest portion of the City of Fremont's net assets (59.5 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 (15.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$49,208,962) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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.

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2012</u>		<u>Year Ended September 30, 2011</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General government	\$ 935,633	\$ 3,215,148	\$ 1,958,089	\$ 1,483,932
Public safety	1,274,135	7,012,292	1,284,666	6,770,037
Public works	841,934	2,661,300	575,639	2,673,388
Environment and leisure	1,598,105	3,100,402	1,970,876	2,984,781
Non-departmental	-	177,208	-	283,860
Interest	-	90,622	-	187,542
Depreciation	-	1,696,421	-	1,624,690
Total	\$ 4,649,807	\$ 17,953,393	\$ 5,789,270	\$ 16,008,230

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2012</u>		<u>Year Ended September 30, 2011</u>	
Charges for services	\$ 2,014,544	9.66 %	\$ 1,966,571	8.33 %
Operating grants and contributions	1,304,800	6.26	2,676,061	11.34
Capital grants and contributions	1,330,463	6.38	1,146,638	4.86
Property taxes	4,879,044	23.39	5,330,557	22.59
Motor vehicle taxes	440,927	2.11	459,738	1.95
Sales tax	5,662,135	27.14	5,537,196	23.47
TIF payments	202,638	0.97	198,445	0.84
Payments in lieu of taxes	2,599,331	12.46	2,565,645	10.87
Franchise taxes	280,803	1.35	278,088	1.18
Other taxes	510,411	2.45	-	-
State allocation	2,692,405	12.91	2,654,079	11.25
Keno	544,951	2.61	491,914	2.08
Special assessments	204	0.00	169,507	0.72
Miscellaneous	75,880	0.36	75,953	0.32
Interest	133,213	0.64	238,415	1.01
Gain (loss) on sale of assets	(844,537)	(4.05)	15,508	0.07
Transfer to other funds	(967,835)	(4.64)	(206,797)	(0.88)
Total	\$ 20,859,377	100.00 %	\$ 23,597,518	100.00 %

Net assets increased \$2,905,984 in the governmental funds during the year ended September 30, 2012.

Business-type Activities. Business-type activities increased the City of Fremont's net assets by \$5,753,601, accounting for total growth of 66.4 percent of the total growth in the government's net assets for the year ended September 30, 2012. Key elements of this increase are as follows:

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2012</u>		<u>Year Ended September 30, 2011</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 31,305,727	\$ 28,028,727	\$ 29,610,864	\$ 28,801,751
Water	3,513,655	2,555,460	2,748,062	2,638,136
Sewer	4,524,953	3,893,381	4,535,100	3,998,236
Gas	13,472,831	13,503,627	17,896,429	17,517,436
Waste transfer	1,258,066	1,302,914	1,272,536	1,325,422
Total	<u>\$ 54,075,232</u>	<u>\$ 49,284,109</u>	<u>\$ 56,062,991</u>	<u>\$ 54,280,981</u>

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2012</u>		<u>Year Ended September 30, 2011</u>	
Charges for services	\$ 53,889,301	97.91 %	\$ 56,062,991	99.14 %
Operating grants and contributions	54,338	0.10	197,612	0.35
Capital grants and contributions	131,593	0.24	21,077	0.04
Interest	162,425	0.30	192,385	0.34
Gain (loss) on sale of assets	(167,782)	(0.30)	(133,552)	(0.24)
Transfer from other funds	967,835	1.76	206,797	0.37
Total	<u>\$ 55,037,710</u>	<u>100.00 %</u>	<u>\$ 56,547,310</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, *unreserved 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 \$31,241,969. Approximately 15 percent of this total amount (\$4,682,082) 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 (\$163,828), 2) restricted for street improvements (\$9,189,619), 3) restricted for public safety (\$2,111,935), 4) restricted for infrastructure (\$3,551,668), 5) restricted for property tax relief (\$487,215), 6) restricted for economic development (\$4,188,502), 7) restricted for a variety of capital/special projects (\$2,047,970), 8) restricted for Federal programs (\$596,070), 9) restricted for community betterment (\$1,331,460), 10) committed for code enforcement/defense (\$993,281), 11) assigned for budgetary stabilization (\$107,747), 12) assigned for downtown improvement projects (\$24,040), 13) assigned for the airport (\$61,152), 14) endowed as non-spendable principal (\$125,000), 15) non-spendable prepaid expense (\$33,600) or 16) non-spendable notes receivable (\$1,546,800).

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2012

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 \$5,029,927. 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 43.3 percent of total General Fund expenditures.

The fund balance of the City of Fremont's General Fund increased by \$1,683,321 during the current fiscal year, due in part to an increased property tax levy designed to increase fund balance by \$375,000 in anticipation of legal expenses incurred defending a controversial local ordinance, as well as significant retirements of long-term management resulting in significant reductions in salaries and benefit costs.

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 - \$28,743,632, Water Fund - \$1,261,094, Sewer Fund - \$3,873,050, Gas Fund - \$6,367,993 and Waste Transfer Fund - \$538,428. The change in net assets for the proprietary funds was as follows: Electric Fund - \$3,312,806, Water Fund - \$1,797,065, Sewer Fund - \$736,383, Gas Fund - (\$49,615) and Waste Transfer Fund - (\$43,038). The increase in the Electric Fund was attributable to a November 2011 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, 2012, amounts to \$154,726,897 (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:

- Land acquisition of former Izaak Walton property - \$1,653,769, sold in the same year
- Electric distribution system improvements - \$1,247,277
- Airport runway safety area land - \$1,193,786
- Christensen Field main arena remodel - \$816,758
- Water system improvements - \$401,015
- Curbs, gutters and bump out of downtown paving Districts 546 and 547 - \$376,679
- 19th Street reconstruction – Broad to Main, Clarkson to Platte - \$374,812
- Sewer system improvements - \$315,675
- Gas system improvements - \$235,175

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

- Northeast 30 inch water main loop - \$1,344,019
- 23rd Ave North & Lincoln Ave intersection - \$229,845

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

	Year Ended September 30, 2012			Year Ended September 30, 2011		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 7,785,008	\$ 4,237,456	\$ 12,022,464	\$ 6,591,223	\$ 4,167,295	\$ 10,758,518
Construction in Progress	5,908,704	2,637,096	8,545,800	7,379,224	722,422	8,101,646
Infrastructure	13,040,392	-	13,040,392	12,028,309	-	12,028,309
Buildings and Improvements	9,421,104	-	9,421,104	8,830,948	-	8,830,948
Machinery and Equipment	2,347,632	4,854,698	7,202,330	2,538,833	5,213,467	7,752,300
Distribution Systems, Buildings, and Equipment	-	104,086,008	104,086,008	-	106,641,185	106,641,185
Office Furniture and Equipment	-	288,292	288,292	-	217,866	217,866
Vehicles	-	120,507	120,507	-	218,111	218,111
Total	\$ 38,502,840	\$ 116,224,057	\$ 154,726,897	\$ 37,368,537	\$ 117,180,346	\$ 154,548,883

Additional information on the City of Fremont's capital assets can be found in Note C4 on pages 44 - 46 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 (excluding TIF bonds payable) outstanding of \$36,507,404.

City of Fremont's Outstanding Debt

	Year Ended September 30, 2012			Year Ended September 30, 2011		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
General Obligation Bonds	\$ 3,955,000	\$ -	\$ 3,955,000	\$ 4,165,000	\$ -	\$ 4,165,000
Revenue Bonds	-	32,115,000	32,115,000	-	34,200,000	34,200,000
Notes Payable	117,250	311,500	428,750	138,250	429,750	568,000
Capital leases payable	3,894	4,760	8,654	10,568	11,902	22,470
Total	\$ 4,076,144	\$ 32,431,260	\$ 36,507,404	\$ 4,313,818	\$ 34,641,652	\$ 38,955,470

The City of Fremont's total debt decreased by \$2,448,066 (6.3 percent). The City took advantage of historically low interest rates and refunded a combined utilities revenue bond and a general obligation swimming pool bond during the current year.

The City of Fremont maintains an AA bond rating.

Additional information on the City of Fremont's long-term debt can be found in Note C6 on pages 47 - 50 of this report.

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2012

Economic Factors and Next Year's Budgets and Rates

- Property tax assessment for the year ending September 30, 2013 is \$4,887,242, which is 1.0 percent lower than the assessment for the year ended September 30, 2012, due primarily to a decrease of 25.6 percent in the debt service property tax request due to the refunding of general obligation bonds in the prior year. The City maintained the property tax request of \$375,000 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 \$993,281 at September 30, 2012 for this purpose. There was no other change in the property tax rate.
- In 2012, the City Council enacted two new four-percent occupation taxes, 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). Collections for the telecommunications tax were 22.1 percent less than projected, while the lodging tax came in 17.1 percent higher, for a net total of \$510,411 in new revenue for the City. The 2013 budget was adjusted accordingly.
- The City entered into an interlocal agreement with Dodge County to merge dispatch operations into a new Communications Center. The activity of the joint Public Safety Answer Point (PSAP) will be recorded as fund of the City, with contributions from the County to fund capital improvements and operations.
- 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):
 - Emissions control improvements to electric system - \$7,000,000
 budgeted to be funded by a \$7,000,000 bond issue
 - Bell Street improvements (Linden to Cuming) - \$2,565,000
 - West Military widening and drainage - \$1,730,000
 - Various citywide paving and resurfacing projects - \$1,713,000
 - 1st Street construction – Luther to Johnson Rd - \$1,567,000
 - Trails project - \$1,493,416
 - Precipitator rebuild at the electric plant - \$1,200,000
 - Oversize water mains for developments - \$1,100,000
 - Public safety answering point consolidation with Dodge County
 (equipment only) - \$785,355
 - 32nd Street Yager to Luther Rd paving and utility extensions – \$733,300
- The City Council approved a five percent increase in rates for the Electric Fund effective November 2012.

All of these factors were considered in preparing the City of Fremont's budget for the 2013 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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 20,688,234	\$ 13,346,300	\$ 34,034,534
Investments	11,534,514	16,819,398	28,353,912
County treasurer cash	169,549	-	169,549
Receivables:			
Special assessments	381,198	-	381,198
Accounts, net of allowance for doubtful accounts	727,588	2,071,315	2,798,903
Unbilled revenue	-	3,113,179	3,113,179
Interest	58,147	78,475	136,622
Property tax	229,294	-	229,294
Receivable/payable to other funds	(37,013)	37,013	-
Due from other governments	822,245	205,906	1,028,151
Inventory	-	9,137,129	9,137,129
Prepaid expenses	33,600	168,473	202,073
Total current assets	<u>34,607,356</u>	<u>44,977,188</u>	<u>79,584,544</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	683,219	683,219
Restricted investments	-	3,708,402	3,708,402
TIF notes receivable	1,175,381	-	1,175,381
Notes receivable, net of allowance	1,529,750	-	1,529,750
Unamortized bond costs	110,831	1,018,001	1,128,832
Capital assets:			
Land	7,785,008	4,237,456	12,022,464
Construction in progress	5,908,704	2,637,096	8,545,800
Other capital assets, net of depreciation	24,809,128	109,349,505	134,158,633
Total noncurrent assets	<u>41,318,802</u>	<u>121,633,679</u>	<u>162,952,481</u>
Total assets	<u>75,926,158</u>	<u>166,610,867</u>	<u>242,537,025</u>
LIABILITIES			
Current liabilities:			
Accounts payable	448,815	2,440,483	2,889,298
Claims liability	509,540	1,412	510,952
Accrued expenses	832,393	1,390,858	2,223,251
Due to other governments	6,084	-	6,084
Deferred revenue	14,659	-	14,659
Customer deposits	-	66,547	66,547
Current portion of long-term obligations	239,894	1,703,012	1,942,906
Total current liabilities	<u>2,051,385</u>	<u>5,602,312</u>	<u>7,653,697</u>
Noncurrent liabilities:			
TIF notes payable	919,582	-	919,582
Compensated absences	335,325	721,798	1,057,123
Unamortized bond premium	-	633,248	633,248
Fly ash liability/closure costs payable	-	241,997	241,997
Noncurrent portion of long-term obligations	3,836,250	30,728,248	34,564,498
Total noncurrent liabilities	<u>5,091,157</u>	<u>32,325,291</u>	<u>37,416,448</u>
Total liabilities	<u>7,142,542</u>	<u>37,927,603</u>	<u>45,070,145</u>
NET ASSETS			
Invested in capital assets, net of related debt	34,426,696	83,007,446	117,434,142
Restricted for:			
Debt service	163,828	4,391,621	4,555,449
Fly ash disposal	-	500,000	500,000
Street improvements	9,213,991	-	9,213,991
Federal grant programs	1,660,782	-	1,660,782
Other purposes	14,893,554	-	14,893,554
Unrestricted	8,424,765	40,784,197	49,208,962
Total net assets	<u>\$ 68,783,616</u>	<u>\$ 128,683,264</u>	<u>\$ 197,466,880</u>

See notes to financial statements.

CITY OF FREMONT, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<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	\$ 3,215,148	\$ 194,119	\$ 741,514
Public safety	7,012,292	868,027	406,108
Public works	2,661,300	298,300	56,879
Environment and leisure	3,100,402	654,098	100,299
Non-departmental	177,208	-	-
Interest on long-term debt	90,622	-	-
Depreciation and amortization	1,696,421	-	-
Total governmental activities	17,953,393	2,014,544	1,304,800
Business-type activities:			
Electric	28,028,727	31,251,389	54,338
Water	2,555,460	3,409,598	-
Sewer	3,893,381	4,497,417	-
Gas	13,503,627	13,472,831	-
Waste transfer	1,302,914	1,258,066	-
Total business-type activities	49,284,109	53,889,301	54,338
Total primary government	\$ 67,237,502	\$ 55,903,845	\$ 1,359,138

See notes to financial statements.

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (2,279,515)		\$ (2,279,515)
-	(5,738,157)		(5,738,157)
486,755	(1,819,366)		(1,819,366)
843,708	(1,502,297)		(1,502,297)
-	(177,208)		(177,208)
-	(90,622)		(90,622)
-	(1,696,421)		(1,696,421)
<u>1,330,463</u>	<u>(13,303,586)</u>		<u>(13,303,586)</u>
-	-	\$ 3,277,000	3,277,000
104,057	-	958,195	958,195
27,536	-	631,572	631,572
-	-	(30,796)	(30,796)
-	-	(44,848)	(44,848)
<u>131,593</u>	<u>-</u>	<u>4,791,123</u>	<u>4,791,123</u>
<u>\$ 1,462,056</u>	<u>(13,303,586)</u>	<u>4,791,123</u>	<u>(8,512,463)</u>
General revenues:			
Taxes:			
Property	4,879,044	-	4,879,044
Motor vehicle	440,927	-	440,927
TIF payments	202,638	-	202,638
Sales tax	5,662,135	-	5,662,135
Payments in lieu of taxes	2,599,331	-	2,599,331
Franchise	280,803	-	280,803
Other taxes	510,411	-	510,411
State allocation	2,692,405	-	2,692,405
Keno	544,951	-	544,951
Special assessments	204	-	204
Miscellaneous	75,880	-	75,880
Interest income	133,213	162,425	295,638
Loss on sale of assets	(844,537)	(167,782)	(1,012,319)
Transfer (to) from other funds	(967,835)	967,835	-
Total general revenues	<u>16,209,570</u>	<u>962,478</u>	<u>17,172,048</u>
Change in net assets	<u>2,905,984</u>	<u>5,753,601</u>	<u>8,659,585</u>
Net assets - September 30, 2011, as originally reported	65,575,909	122,929,663	188,505,572
Restatement	301,723	-	301,723
Net assets - September 30, 2011, as restated	<u>65,877,632</u>	<u>122,929,663</u>	<u>188,807,295</u>
Net assets - September 30, 2012	<u>\$ 68,783,616</u>	<u>\$ 128,683,264</u>	<u>\$ 197,466,880</u>

CITY OF FREMONT, NEBRASKA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<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	\$ 5,133,087	\$ 1,299,420	\$ 8,744,515	\$ 3,935,728	\$ 19,112,750
Investments	559,514	2,750,000	5,750,000	1,025,000	10,084,514
County treasurer cash	126,948	33,593	-	9,008	169,549
Receivables:					
Special assessments	27,458	24,372	-	329,368	381,198
Accounts, net of allowance for doubtful accounts	543,887	3,315	-	172,200	719,402
Notes receivable, net of allowance for doubtful accounts	17,452	-	412,586	1,099,712	1,529,750
Interest	-	17,435	17,050	22,629	57,114
Property tax	229,294	-	-	-	229,294
TIF bonds receivable	-	-	-	1,175,381	1,175,381
Due from other governments	42,830	221,448	457,471	100,496	822,245
Due from other funds	526,256	34,777	-	28,248	589,281
Prepaid expenses	33,600	-	-	-	33,600
Total assets	<u>\$ 7,240,326</u>	<u>\$ 4,384,360</u>	<u>\$ 15,381,622</u>	<u>\$ 7,897,770</u>	<u>\$ 34,904,078</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 134,724	\$ 185,664	\$ 1,214	\$ 127,213	\$ 448,815
Accrued expenses	664,915	124,270	-	43,208	832,393
Due to other governments	6,084	-	-	-	6,084
Due to other funds	45,169	11,019	111,555	458,551	626,294
TIF bond payable	-	-	-	919,582	919,582
Deferred revenue	207,427	25,942	-	595,572	828,941
Total liabilities	<u>1,058,319</u>	<u>346,895</u>	<u>112,769</u>	<u>2,144,126</u>	<u>3,662,109</u>
Fund balances:					
Nonspendable:					
Permanent fund principal	-	-	-	125,000	125,000
Prepaid expenses	33,600	-	-	-	33,600
Notes receivable	17,452	-	429,636	1,099,712	1,546,800
Restricted for:					
Debt service	-	-	-	163,828	163,828
Street improvements	-	4,037,465	5,152,154	-	9,189,619
Public safety	-	-	1,729,070	382,865	2,111,935
Infrastructure	-	-	3,551,668	-	3,551,668
Property tax relief	-	-	487,215	-	487,215
Economic development	-	-	3,919,110	269,392	4,188,502
Capital/special projects	-	-	-	2,047,970	2,047,970
Federal programs	-	-	-	596,070	596,070
Community betterment	-	-	-	1,331,460	1,331,460
Committed for:					
Code enforcement/defense	993,281	-	-	-	993,281
Assigned for:					
Budget stabilization	107,747	-	-	-	107,747
Other	-	-	-	85,192	85,192
Unassigned	5,029,927	-	-	(347,845)	4,682,082
Total fund balances	<u>6,182,007</u>	<u>4,037,465</u>	<u>15,268,853</u>	<u>5,753,644</u>	<u>31,241,969</u>
Total liabilities and fund balances	<u>\$ 7,240,326</u>	<u>\$ 4,384,360</u>	<u>\$ 15,381,622</u>	<u>\$ 7,897,770</u>	<u>\$ 34,904,078</u>

See notes to financial statements.

CITY OF FREMONT, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balances - governmental funds		\$ 31,241,969
<p>Amounts reported for governmental <i>activities</i> in the statement of net assets are different because:</p>		
<p>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 \$57,008,735, and the accumulated depreciation is \$18,505,895.</p>		38,502,840
<p>Unamortized bond fees are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		110,831
<p>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.</p>		2,525,163
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but rather are reported as deferred revenues.</p>		814,282
<p>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:</p>		
Compensated absences	(335,325)	
Bonds and notes payable	(4,076,144)	(4,411,469)
Total net assets - governmental activities		\$ 68,783,616

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, 2012

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 4,518,089	\$ -	\$ -	\$ 323,105	\$ 4,841,194
Motor vehicle	-	440,927	-	-	440,927
TIF payments	-	-	-	202,638	202,638
Sales tax	-	-	5,662,135	-	5,662,135
Payments in lieu of taxes	2,598,719	-	-	612	2,599,331
Franchise	280,803	-	-	-	280,803
Business	510,411	-	-	-	510,411
Intergovernmental	493,443	2,303,048	-	1,319,267	4,115,758
Keno	-	-	-	544,951	544,951
Charges for services	1,543,035	37,205	57,984	470,790	2,109,014
Donations	23,957	-	-	503,974	527,931
Interest income	315	27,477	55,983	40,174	123,949
Other income	56,951	9,132	-	8,270	74,353
Total revenues	<u>10,025,723</u>	<u>2,817,789</u>	<u>5,776,102</u>	<u>3,413,781</u>	<u>22,033,395</u>
EXPENDITURES					
General government	1,810,828	-	196,084	2,856,411	4,863,323
Public safety	6,335,031	-	-	740,598	7,075,629
Public works	575,632	3,270,536	-	(9,327)	3,836,841
Environment and leisure	2,730,771	-	-	1,325,011	4,055,782
Employee insurance	177,208	-	-	-	177,208
Principal payments on debt	-	-	-	231,000	231,000
Interest on long-term debt	-	-	-	90,622	90,622
Total expenditures	<u>11,629,470</u>	<u>3,270,536</u>	<u>196,084</u>	<u>5,234,315</u>	<u>20,330,405</u>
Excess (deficiency) of revenues over expenditures	<u>(1,603,747)</u>	<u>(452,747)</u>	<u>5,580,018</u>	<u>(1,820,534)</u>	<u>1,702,990</u>
OTHER FINANCING SOURCES (USES)					
Issuance of refunding bonds	-	-	-	4,165,000	4,165,000
Refunding bond redeemed	-	-	-	(4,165,000)	(4,165,000)
Sale of capital assets	-	-	-	807,131	807,131
Transfers in	3,802,460	282,815	-	615,904	4,701,179
Transfers out	(515,392)	(6,657)	(4,561,019)	(585,946)	(5,669,014)
Net other sources and uses	<u>3,287,068</u>	<u>276,158</u>	<u>(4,561,019)</u>	<u>837,089</u>	<u>(160,704)</u>
Net change in fund balances	<u>1,683,321</u>	<u>(176,589)</u>	<u>1,018,999</u>	<u>(983,445)</u>	<u>1,542,286</u>
Fund balances - September 30, 2011, as originally reported	4,722,460	4,214,054	14,249,854	7,084,644	30,271,012
Restatement of fund balances	(223,774)	-	-	(347,555)	(571,329)
Fund balances - September 30, 2011, as restated	<u>4,498,686</u>	<u>4,214,054</u>	<u>14,249,854</u>	<u>6,737,089</u>	<u>29,699,683</u>
Fund balances - September 30, 2012	<u>\$ 6,182,007</u>	<u>\$ 4,037,465</u>	<u>\$ 15,268,853</u>	<u>\$ 5,753,644</u>	<u>\$ 31,241,969</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, 2012

Total net change in fund balances - governmental funds	\$ 1,542,286
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 are allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$4,478,403) and capital lease principal payments (\$6,674) exceed depreciation expense (\$1,688,775) and disposal of capital assets (\$1,694,042) in the period.	1,102,260
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.	38,717
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 (\$54,146) are exceeded by amortization expense (\$7,646) in the period.	46,500
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.	40,733
TIF proceeds and payments are reported as revenue and expenses in the governmental funds, but are reported as notes receivable and payable in the statement of net assets.	4,632
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.	(36,742)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(63,402)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	231,000
Change in net assets of governmental activities	\$ 2,905,984

See notes to financial statements.

CITY OF FREMONT, NEBRASKA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Enterprise Funds					Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund	Waste Transfer Fund		
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 9,109,794	\$ 539,394	\$ 2,215,704	\$ 1,265,465	\$ 215,943	\$ 13,346,300	\$1,575,484
Investments	12,307,788	-	1,212,778	2,948,832	350,000	16,819,398	1,450,000
Receivables:							
Accounts, net of allowance for doubtful accounts	1,390,413	248,739	185,206	169,160	77,797	2,071,315	8,186
Unbilled revenue	1,919,217	252,029	344,296	597,637	-	3,113,179	-
Due from other funds	825,253	-	-	-	873	826,126	-
Due from other governments	205,906	-	-	-	-	205,906	-
Interest	64,673	1,215	4,447	7,741	399	78,475	1,033
Inventory	6,654,688	356,615	145,230	1,980,596	-	9,137,129	-
Prepaid expenses	96,114	17,510	17,510	37,339	-	168,473	-
Total current assets	32,573,846	1,415,502	4,125,171	7,006,770	645,012	45,766,301	3,034,703
Noncurrent assets:							
Restricted cash and cash equivalents	-	683,219	-	-	-	683,219	-
Restricted investments	2,895,012	375,000	387,222	51,168	-	3,708,402	-
Unamortized bond costs	616,511	267,271	114,688	19,531	-	1,018,001	-
Capital assets:							
Land	2,086,695	1,890,618	143,803	116,340	-	4,237,456	-
Construction in progress	769,740	1,647,796	205,537	14,023	-	2,637,096	-
Depreciable capital assets	134,104,433	35,755,598	47,582,209	14,817,650	8,988	232,268,878	-
Less accumulated depreciation	(81,239,679)	(12,815,456)	(19,659,112)	(9,196,329)	(8,797)	(122,919,373)	-
Total noncurrent assets	59,232,712	27,804,046	28,774,347	5,822,383	191	121,633,679	-
Total assets	91,806,558	29,219,548	32,899,518	12,829,153	645,203	167,399,980	3,034,703
LIABILITIES							
Current liabilities:							
Accounts payable	1,488,649	227,375	193,610	429,757	101,092	2,440,483	-
Due to other funds	1,382	651	785,793	1,287	-	789,113	-
Accrued payroll and vacation	575,220	29,258	79,110	88,964	5,445	777,997	-
Sales tax payable	190,591	16	-	243	47	190,897	-
Accrued interest payable	342,392	63,527	15,032	1,013	-	421,964	-
Customer deposits	66,047	500	-	-	-	66,547	-
Claims liability	1,412	-	-	-	-	1,412	509,540
Current portion of long-term obligations	827,610	579,518	261,887	33,997	-	1,703,012	-
Total current liabilities	3,493,303	900,845	1,335,432	555,261	106,584	6,391,425	509,540
Noncurrent liabilities:							
Fly ash liability	241,997	-	-	-	-	241,997	-
Compensated absences	469,112	37,027	78,615	137,044	-	721,798	-
Unamortized bond premium	569,923	63,325	-	-	-	633,248	-
Noncurrent portion of long-term obligations	19,196,280	8,154,274	2,917,741	459,953	-	30,728,248	-
Total noncurrent liabilities	20,477,312	8,254,626	2,996,356	596,997	-	32,325,291	-
Total liabilities	23,970,615	9,155,471	4,331,788	1,152,258	106,584	38,716,716	509,540
NET ASSETS							
Invested in capital assets, net of related debt	35,697,299	17,744,764	24,307,458	5,257,734	191	83,007,446	-
Restricted for:							
Debt service	2,895,012	1,058,219	387,222	51,168	-	4,391,621	-
Fly ash disposal	500,000	-	-	-	-	500,000	-
Unrestricted	28,743,632	1,261,094	3,873,050	6,367,993	538,428	40,784,197	2,525,163
Total net assets	\$67,835,943	\$20,064,077	\$28,567,730	\$11,676,895	\$ 538,619	\$128,683,264	\$2,525,163

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, 2012

	Enterprise Funds					Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund	Waste Transfer Fund		
Operating revenues:							
Charges for services	\$30,885,125	\$ 3,362,410	\$ 4,451,926	\$13,472,831	\$ 1,258,066	\$ 53,430,358	3,919,673
Contributions from other funds	-	-	-	-	-	-	1,311,063
Other revenue	366,264	47,188	45,491	-	-	458,943	30
Total operating revenues	31,251,389	3,409,598	4,497,417	13,472,831	1,258,066	53,889,301	5,230,766
Operating expenses:							
Cost of power/gas	1,441,655	-	-	10,107,595	-	11,549,250	-
Production	17,297,480	364,946	1,611,049	-	-	19,273,475	-
Distribution	2,069,150	605,473	294,929	1,313,467	1,301,972	5,584,991	-
Customer accounting and collections	1,285,344	387,862	435,315	799,777	90	2,908,388	-
Administrative and general	344,750	969	426	215,882	-	562,027	3,400
Payments in lieu of taxes	1,865,000	-	150,000	575,000	-	2,590,000	-
Employee insurance	-	-	-	-	-	-	4,641,530
Workers' compensation	-	-	-	-	-	-	554,387
Depreciation	2,903,437	865,573	1,277,816	477,364	852	5,525,042	-
Amortization	19,428	10,203	9,398	1,486	-	40,515	-
Total operating expenses	27,226,244	2,235,026	3,778,933	13,490,571	1,302,914	48,033,688	5,199,297
Operating income (loss)	4,025,145	1,174,572	718,484	(17,740)	(44,848)	5,855,613	31,469
Nonoperating revenues (expenses):							
Interest income	126,360	3,455	12,393	18,407	1,810	162,425	9,264
Interest expense	(802,483)	(320,434)	(114,448)	(13,056)	-	(1,250,421)	-
Gain (loss) on sale of assets	(131,399)	-	-	(36,383)	-	(167,782)	-
Grant revenue	54,338	56,256	-	-	-	110,594	-
Contributed capital	-	47,801	27,536	-	-	75,337	-
Total nonoperating revenues (expenses)	(753,184)	(212,922)	(74,519)	(31,032)	1,810	(1,069,847)	9,264
Income (loss) before interfund transfers	3,271,961	961,650	643,965	(48,772)	(43,038)	4,785,766	40,733
Interfund transfers:							
Transfer from other funds	41,970	835,837	92,840	-	-	970,647	-
Transfer to other funds	(1,125)	(422)	(422)	(843)	-	(2,812)	-
Net transfers	40,845	835,415	92,418	(843)	-	967,835	-
Change in net assets	3,312,806	1,797,065	736,383	(49,615)	(43,038)	5,753,601	40,733
Net assets - September 30, 2011	64,523,137	18,267,012	27,831,347	11,726,510	581,657	122,929,663	2,484,430
Net assets - September 30, 2012	\$67,835,943	\$20,064,077	\$28,567,730	\$11,676,895	\$ 538,619	\$128,683,264	\$2,525,163

See notes to financial statements.

CITY OF FREMONT, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 30,459,940	\$ 3,251,613
Receipts from other funds	-	-
Payments to other funds	(1,865,000)	-
Payments to suppliers	(14,896,816)	(386,711)
Payments to employees	(7,648,089)	(860,533)
Net cash provided (used) by operating activities	<u>6,050,035</u>	<u>2,004,369</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	41,970	835,837
Transfers to other funds	(1,125)	(422)
Interfund loans	246,853	(147)
Net cash provided (used) by noncapital financing activities	<u>287,698</u>	<u>835,268</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(2,091,542)	(1,865,077)
Proceeds from capital grant	-	102,300
Proceeds from issuance of capital debt, (net of issuance costs)	17,679,497	1,964,387
Principal payments on capital debt	(18,326,671)	(2,796,310)
Interest paid on capital debt	(889,832)	(332,242)
Decrease in fly ash liability	(26,165)	-
Net cash used by capital and related financing activities	<u>(3,654,713)</u>	<u>(2,926,942)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	(791,000)	(200,000)
Interest received on investments	100,559	2,362
Net cash provided (used) by investing activities	<u>(690,441)</u>	<u>(197,638)</u>
Increase (decrease) in cash and cash equivalents	1,992,579	(284,943)
Cash and cash equivalents - beginning of the year	<u>7,117,215</u>	<u>1,507,556</u>
Cash and cash equivalents - end of the year	<u>\$ 9,109,794</u>	<u>\$ 1,222,613</u>
Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 9,109,794	\$ 539,394
Restricted cash and cash equivalents	-	683,219
Total cash and cash equivalents	<u>\$ 9,109,794</u>	<u>\$ 1,222,613</u>

See notes to financial statements

Enterprise Funds				Internal Service Fund
Sewer Fund	Gas Fund	Waste Transfer Fund	Total	Fund
\$ 4,471,474	\$ 13,610,797	\$ 1,275,627	\$ 53,069,451	\$ -
-	-	-	-	5,226,103
(150,000)	(575,000)	-	(2,590,000)	-
(930,885)	(10,263,279)	(1,236,981)	(27,714,672)	(4,899,821)
(1,318,833)	(1,824,949)	(88,629)	(11,741,033)	-
<u>2,071,756</u>	<u>947,569</u>	<u>(49,983)</u>	<u>11,023,746</u>	<u>326,282</u>
92,840	-	-	970,647	-
(422)	(843)	-	(2,812)	-
(277,583)	1,286	4,894	(24,697)	-
<u>(185,165)</u>	<u>443</u>	<u>4,894</u>	<u>943,138</u>	<u>-</u>
(409,079)	(295,498)	-	(4,661,196)	-
-	-	-	102,300	-
-	-	-	19,643,884	-
(254,081)	(33,330)	-	(21,410,392)	-
(92,500)	(13,033)	-	(1,327,607)	-
-	-	-	(26,165)	-
<u>(755,660)</u>	<u>(341,861)</u>	<u>-</u>	<u>(7,679,176)</u>	<u>-</u>
(500,000)	(500,000)	-	(1,991,000)	(400,000)
10,866	14,944	1,599	130,330	8,965
(489,134)	(485,056)	1,599	(1,860,670)	(391,035)
641,796	121,096	(43,490)	2,427,038	(64,753)
<u>1,573,908</u>	<u>1,144,369</u>	<u>259,433</u>	<u>11,602,481</u>	<u>1,640,237</u>
<u>\$ 2,215,704</u>	<u>\$ 1,265,465</u>	<u>\$ 215,943</u>	<u>\$ 14,029,519</u>	<u>\$ 1,575,484</u>
\$ 2,215,704	\$ 1,265,465	\$ 215,943	\$ 13,346,300	\$ 1,575,484
-	-	-	683,219	-
<u>\$ 2,215,704</u>	<u>\$ 1,265,465</u>	<u>\$ 215,943</u>	<u>\$ 14,029,519</u>	<u>\$ 1,575,484</u>

CITY OF FREMONT, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Enterprise Funds</u>	
	<u>Electric Fund</u>	<u>Water Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 4,025,145	\$ 1,174,572
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,903,437	865,573
Amortization expense	19,428	10,203
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	(796,189)	(157,985)
Inventories	(586,456)	9,738
Prepaid expenses	5,113	(184)
Accounts payable	418,377	108,688
Accrued payroll and vacation	27,778	(717)
Accrued compensated absences	14,978	(5,508)
Other accrued expenses	13,684	(11)
Customer deposits	3,924	-
Claims liability	816	-
Net cash provided (used) by operating activities	<u>\$ 6,050,035</u>	<u>\$ 2,004,369</u>

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>		
\$ 718,484	\$ (17,740)	\$ (44,848)	\$ 5,855,613	\$	31,469
1,277,816	477,364	852	5,525,042		-
9,398	1,486	-	40,515		-
(25,943)	137,967	17,561	(824,589)		(4,663)
11,866	596,487	-	31,636		-
(185)	(6)	-	4,738		-
96,759	(211,760)	(24,258)	387,807		(74)
1,274	(20,284)	663	8,714		-
(17,714)	(16,026)	-	(24,270)		-
-	81	47	13,801		299,550
-	-	-	3,924		-
-	-	-	816		-
<u>\$ 2,071,756</u>	<u>\$ 947,569</u>	<u>\$ (49,983)</u>	<u>\$ 11,023,746</u>	<u>\$</u>	<u>326,282</u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

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CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fremont, Nebraska (the "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 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.

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, 2012

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. Currently, the City has no discretely presented component units.

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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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:

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Basis of Presentation, Continued

Fund Financial Statements, Continued

- 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.

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).

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Basis of Presentation, Continued

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 Non-major Funds

The funds are further classified as major or non-major 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.
Proprietary:	
Enterprise:	
Electric, Water, Sewer, Gas, and Waste Transfer	See above for description.
Internal Service:	
Insurance	Accounts for the workers' compensation, and health insurance, and other programs for all governmental-fund-type City operations.
<i>Non-major:</i>	
Debt Service	See above for description.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Basis of Presentation, Continued

Major and Non-major Funds, Continued

<u>Fund</u>	<u>Brief Description</u>
<i>Non-major, continued:</i>	
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. This fund was closed out during the current year.
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.
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.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Basis of Presentation, Continued

Major and Non-major Funds, Continued

<u>Fund</u>	<u>Brief Description</u>
<i>Non-major, Continued:</i>	
Special Revenue, Continued:	
Airport Fund	Accounts for the operation and maintenance of the municipal airport.
Enhanced and Wireless 911	Accounts for the per-line telephone surcharge and per-line cell phone 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.
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.

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, 2012

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. Currently, the City has no fiduciary funds.

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 as available resources. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

All proprietary funds 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.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

Notes Receivable

Notes receivable include long-term loans made to local businesses and citizens using revolving loan funds from Community Development Block Grants through the State of Nebraska, as well as other economic development based loans of LB840 revolving loan funds or Economic Enhancement funds of the City to qualifying businesses. Some loans are forgivable when certain performance-based conditions are met. Loans are shown net of an allowance for uncollectible amounts. Tax Increment Financing ("TIF") notes receivable are recorded at the lesser of the present value of the anticipated revenue stream or the actual TIF bond payable amount.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. Assets, Liabilities, and Equity, Continued

Due from Other Governments

The total due from other governments includes the following amounts:

<u>Fund</u>	<u>Amount</u>	<u>Service</u>
General	\$ 42,830	SRO reimbursement/ Grant reimbursement/ Library Commission payments
Street	221,448	Grant reimbursement/ Motor Vehicle/Gas Tax
Sales tax	457,471	Sales Tax
Municipal transit	12,894	Operating grant from the State
CDBG Fund	23,735	Grant reimbursement
Drug Task Force	2,743	Grant reimbursement
Wireless 911	30,624	Grant reimbursement
Special Projects	30,500	Grant reimbursement
Electric fund	<u>205,906</u>	Capital grant reimbursement, FEMA
 Total governmental funds	 <u>\$1,028,151</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.

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.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. Assets, Liabilities, and Equity, Continued

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.

Deferred Revenues

Deferred revenues consist of property taxes and special assessments expected to be collected after 60 days, as well as, revenue that has been collected, but will be earned in another period.

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.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. Assets, Liabilities, and Equity, Continued

Long-term Debt, Deferred Debt Expense, Bond Discounts/Premiums and Bond Issue Costs

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

In government-wide and proprietary financial statements, outstanding debt is reported as a liability. Bond issuance costs, bond discounts or premiums and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using the method that approximates the effective interest method. The long-term debt consists primarily of bonds and notes payable and a fly ash liability.

Fund Financial Statements

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period and payment of principal and interest and issuance costs are reported as expenditures.

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.”

September 30, 2011, net assets for the governmental activities in the Government-wide Statements were restated as follows:

Adjustment for revenues deferred in the prior year	\$ 621,885
Adjustment for the inclusion of the Community Development Agency Fund	<u>(320,162)</u>
Total restatement of governmental activities net assets at September 30, 2011	<u>\$ 301,723</u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Classifications, Continued

Fund Financial Statements

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

Fund balances are divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable – 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 the City Council through an 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.

Unassigned – All amounts not included in other spendable classifications.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

September 30, 2011, fund balance for the governmental funds were restated as follows:

General Fund:	
Adjustment for net realizable value of Tax Increment Bonds	<u>\$ (223,774)</u>
Community Development Agency:	
Adjustment for net realizable value of Tax Increment Bonds	(27,393)
Adjustment for the inclusion of the fund	<u>(320,162)</u>
Total restatement of Community Development Agency fund balance at September 30, 2011	<u>(347,555)</u>
Total restatement of governmental fund balance at September 30, 2011	<u><u>\$ (571,329)</u></u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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 2011-2012 are recorded as revenue when expected to be collected within 60 days after September 30, 2012. 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, sewer 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 \$575,000 during the year ended September 30, 2012.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

5. Revenues, Expenditures, and Expenses, Continued

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.

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 fund – by operating and non-operating

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.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

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.

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 deposits 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.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

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.

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. The legal level of budgetary control is by fund type and any revisions require council 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.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

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.

1. Cash and Investments

The City's policies regarding deposits of cash are discussed in Note A4 and the City's policies regarding risk management over Deposits and investments are discussed in Note D2. The City's cash deposits and investments are with institutions insured by the Federal Deposit Insurance Corporation ("FDIC") and other collateral. At September 30, 2012, the bank balance of the City's deposits of \$34,717,753 and investments of \$32,062,314 were fully-insured or collateralized.

Reconciliation to Government-wide Statement of Net Assets:

Cash and Cash Equivalents –	
Unrestricted	\$ 34,034,534
Restricted	683,219
Investments –	
Unrestricted	28,353,912
Restricted	<u>3,708,402</u>
 Total	 <u>\$ 66,780,067</u>

The majority of the business-type restricted assets (\$3,891,621) relates to debt service reserves required by bond agreements. The remaining \$500,000 restricted investment is restricted to cover fly ash closure costs.

2. Accounts 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, 2012, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Accounts receivable	\$ 886,526	\$ 2,626,847	\$ 3,513,373
Allowance for doubtful accounts	<u>(158,938)</u>	<u>(555,532)</u>	<u>(714,470)</u>
Net accounts receivable	<u>\$ 727,588</u>	<u>\$ 2,071,315</u>	<u>\$ 2,798,903</u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

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

3. Notes Receivable

Notes receivable at September 30, 2012, 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. \$ 17,452

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. 23,333

\$200,000 and \$300,000 notes issued November 7, 2007 to Best Cobb, LLC were renegotiated into a single note for \$380,438 in 2010. 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. 81,130

\$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, 2012 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. 30,000

\$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. 128,123

Total Sales Tax Fund notes receivable 412,586

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

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

3. Notes Receivable, Continued

Economic Enhancement Fund:

\$100,000 note receivable issued May 15, 2009 to Horizon Biofuels, Inc. The note is zero percent interest payable and is due in 60 monthly installments of \$1,666 commencing July 1, 2009 through June 1, 2014. \$ 35,000

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. 20,115

\$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. 116,667

\$100,000 note receivable issued November 8, 2011 to Ready Tech Go. The note is non-interest-bearing and is due in 60 monthly installments of \$1,667 commencing December 1, 2011 through November 1, 2016. 76,626

\$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. 35,714

\$150,000 note receivable issued September 27, 2006 to RK Aerials LLC. Performance-based loan at zero percent interest and forgivable September 27, 2013 if job creation and maintenance requirements are met. 103,427

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

Allowance for doubtful accounts (300,000)

Total CDBG Fund notes receivable 652,549

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

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

3. Accounts and Notes Receivable, Continued

Weatherization EDA (HUD) Fund:

<p>\$31,200 note advances issued during the year ended September 30, 2012 to two Fremont residents under CDBG weatherization loans. The loans will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period.</p>	<p>\$ 31,200</p>
<p>\$25,000 note receivable issued January 25, 2012 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.</p>	<p>23,542</p>
<p>\$33,265 note receivables issued during the year ended September 30, 2012 to two Fremont residents under CDBG weatherization loans. The loans will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period.</p>	<p>32,710</p>
<p>\$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.</p>	<p>68,808</p>
<p>\$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.</p>	<p>12,737</p>
<p>\$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.</p>	<p>51,501</p>
<p>\$64,395 note receivables issued January 28, 2010 to four Fremont residents under CDBG weatherization loans. The loans will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period.</p>	<p>47,760</p>
<p>\$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.</p>	<p>7,698</p>
<p>\$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.</p>	<p>12,667</p>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

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

3. Accounts and Notes Receivable, Continued

Weatherization EDA (HUD) Fund, Continued:

\$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.	\$ 9,526
\$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.	6,499
\$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.	1,113
Twenty-three 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.	107,760
Allowance for doubtful accounts	<u>(1,358)</u>
Total Weatherization Fund notes receivable	<u>412,163</u>
Total notes receivable at September 30, 2012	<u>\$ 1,529,750</u>

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance at October 1, <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2012</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 6,591,223	\$ 38,717	\$(1,692,487)	\$2,847,555	\$ 7,785,008
Construction in progress	7,379,223	3,132,521	-	(4,603,040)	5,908,704
Total capital assets not being depreciated	<u>13,970,446</u>	<u>3,171,238</u>	<u>(1,692,487)</u>	<u>(1,755,485)</u>	<u>13,693,712</u>
Other capital assets being depreciated:					
Infrastructure	18,966,183	983,503	-	751,490	20,701,176
Buildings and improvements	14,765,706	79,124	(7,274)	951,546	15,789,102
Machinery and equipment	6,516,495	283,255	(27,454)	52,449	6,824,745
Total other capital assets at historical cost	<u>40,248,384</u>	<u>1,345,882</u>	<u>(34,728)</u>	<u>1,755,485</u>	<u>43,315,023</u>
Less accumulated depreciation for:					
Infrastructure	(6,937,873)	(722,910)	-	-	(7,660,783)
Buildings and improvements	(5,934,758)	(438,959)	5,719	-	(6,367,998)
Machinery and equipment	(3,977,662)	(526,906)	27,454	-	(4,477,114)
Total accumulated depreciation	<u>(16,850,293)</u>	<u>(1,688,775) *</u>	<u>33,173</u>	<u>-</u>	<u>(18,505,895)</u>
Other capital assets, net	<u>23,398,091</u>	<u>(342,893)</u>	<u>(1,555)</u>	<u>1,755,485</u>	<u>24,809,128</u>
Governmental activities capital assets, net	<u>\$37,368,537</u>	<u>\$2,828,345</u>	<u>\$(1,694,042)</u>	<u>\$ -</u>	<u>\$38,502,840</u>

* Depreciation expense was incurred by the following governmental activities:

General Fund

General government	\$ <u>91,313</u>
Public safety:	
Police	88,953
Fire	98,389
Civil defense	5,084
Protective inspections	<u>1,025</u>
Total public safety	<u>193,451</u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

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

4. Capital Assets, Continued

General Fund, Continued

Public works:	
Civil Engineering	<u>\$ 284,240</u>
Environment and leisure:	
Culture and recreation	<u>518,365</u>
Total General Fund	<u>1,087,369</u>
<u>Street Fund</u>	<u>509,816</u>
<u>Municipal Transit Fund</u>	
Environment and leisure	<u>8,921</u>
<u>Airport Fund</u>	
Environment and leisure	<u>82,669</u>
Total governmental activities depreciation expense	<u>\$ 1,688,775</u>

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

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

4. Capital Assets, Continued

	Balance at October 1, <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2012</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 4,167,295	\$ 70,161	\$ -	\$ -	\$ 4,237,456
Construction in progress	722,422	1,914,674	-	-	2,637,096
Total capital assets not being depreciated	<u>4,889,717</u>	<u>1,984,835</u>	<u>-</u>	<u>-</u>	<u>6,874,552</u>
Other capital assets being depreciated:					
Distribution systems, buildings, and equipment	209,492,552	2,236,644	(182,741)	-	211,546,455
Machinery and equipment	15,366,909	214,005	(16,729)	-	15,564,185
Office furniture and equipment	1,711,549	145,424	-	-	1,856,973
Vehicles	3,310,334	5,622	(14,690)	-	3,301,266
Total other capital assets at historical cost	<u>229,881,344</u>	<u>2,601,695</u>	<u>(214,160)</u>	<u>-</u>	<u>232,268,879</u>
Less accumulated depreciation for:					
Distribution systems, buildings, and equipment	(102,851,367)	(4,774,044)	164,964	-	(107,460,447)
Machinery and equipment	(10,153,442)	(572,774)	16,729	-	(10,709,487)
Office furniture and equipment	(1,493,683)	(74,998)	-	-	(1,568,681)
Vehicles	(3,092,223)	(103,226)	14,690	-	(3,180,759)
Total accumulated depreciation	<u>(117,590,715)</u>	<u>(5,525,042) *</u>	<u>196,383</u>	<u>-</u>	<u>(122,919,374)</u>
Other capital assets, net	<u>112,290,629</u>	<u>(2,923,347)</u>	<u>(17,777)</u>	<u>-</u>	<u>109,349,505</u>
Business-type activities capital assets, net	<u>\$ 117,180,346</u>	<u>\$ (938,512)</u>	<u>\$ (17,777)</u>	<u>\$ -</u>	<u>\$ 116,224,057</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 2,903,437
Water	865,573
Sewer	1,277,816
Gas	477,364
Waste transfer	<u>852</u>
Business-type activities depreciation expense	<u>\$ 5,525,042</u>

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

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, 2012:

<u>Type of Debt</u>	<u>Balance at October 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at September 30, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes and capital leases payable	\$ 4,313,818	\$ 4,165,000	\$ (4,402,674)	\$ 4,076,144	\$ 239,894
Business-type Activities:					
Bonds, notes and capital leases payable	\$ 34,641,652	\$ 19,200,000	\$ (21,410,392)	\$ 32,431,260	\$ 1,703,012

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2012 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 239,894	\$ 89,185	\$ 1,703,012	\$ 1,007,068
2014	246,000	88,110	1,738,248	923,012
2015	256,000	86,648	1,720,000	890,968
2016	266,000	84,533	1,730,000	856,823
2017	276,000	81,593	1,890,000	817,978
2018-2022	1,442,250	330,140	10,975,000	3,258,940
2023-2027	1,350,000	113,125	12,465,000	1,185,395
2028-2032	-	-	210,000	9,870
	<u>\$4,076,144</u>	<u>\$ 873,334</u>	<u>\$32,431,260</u>	<u>\$ 8,950,054</u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

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

6. Long-term Debt, Continued

Governmental Activities

As of September 30, 2012, the governmental long-term liabilities consisted of the following:

Bonds and notes payable:

General obligation refunding bonds for a swimming pool with an original issue amount of \$4,165,000 was issued October 4, 2011 with interest rates ranging from 0.35 percent to 3.40 percent. Interest is due in semiannual installments on February 1 and August 1. Principal is due in annual installments commencing August 1, 2012 through August 1, 2026. \$ 3,955,000

Non-interest-bearing note payable to Nebraska Department of Aeronautics, due in monthly installments of \$1,750 through April 2018. 117,250

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. 3,894

Total governmental long-term debt \$ 4,076,144

Current portion \$ 239,894

Noncurrent portion 3,836,250

Total \$ 4,076,144

On October 4, 2011, the City issued \$4,165,000 in general obligation swimming pool refunding bonds with an average interest rate of approximately 2.67% to refund \$4,165,000 of existing bonds. As a result of this refunding, the City decreased its total debt service payments over the next fifteen years by approximately \$580,044, net of underwriting and transaction costs, and obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$552,440.

Business-type Activities

As of September 30, 2012, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

Combined utilities revenue refunding bonds, with an original issue amount of \$19,200,000, issued March 6, 2012, interest rates ranging from 0.35 - 4.0 percent. Interest is due in semi-annual installments on April 15 and October 15. Principal is due in annual installments commencing October 15, 2012 through October 15, 2026. \$ 19,200,000

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

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. \$ 2,540,000

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. 6,670,000

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 – 3.8.0 percent. Principal is due in annual installments commencing September 1, 2012 through September 1, 2025. 3,705,000

Total bonds payable 32,115,000

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. 146,500

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. 90,000

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

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

6. Long-term Debt, Continued

Business-type Activities, Continued

Notes payable, continued:

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.

\$ 75,000

Total notes payable

311,500

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.

4,760

Total business-type activity long-term debt

\$ 32,431,260

Current portion

\$ 1,703,012

Noncurrent portion

30,728,248

Total

\$ 32,431,260

On March 6, 2012, the City issued \$19,200,000 in combined utilities revenue refunding bonds with an average interest rate of approximately 2.80% to refund \$19,855,000 of existing bonds. As a result of this refunding, the City decreased its total debt service payments over the next fifteen years by approximately \$4,708,557, net of underwriting and transaction costs, and obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of approximately \$3,749,168.

7. 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 post closure 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, 2012, the City had incurred a liability of \$241,997 for closure and post closure costs for the disposal area.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

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

8. Tax Increment Financing Bonds

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, 2012:

	<u>Receivable</u>	<u>Payable</u>
JAKK, LLC	\$ 291,206	\$ 291,206
TCK Leasing, LLC	367,822	367,822
MDI Limited Partnership	139,529	139,529
Logger Investments, LLC	121,025	121,025
South Broad Street, LLC (See footnote C9)	<u>255,799</u>	<u>-</u>
	<u>\$ 1,175,381</u>	<u>\$ 919,582</u>

The Community Development Agency of the City of Fremont, Nebraska records the receivable and payable at the lesser of the present value of the estimated revenue stream or the unpaid principal. The General Fund purchased the bonds related to the South Broad Street, LLC project and the payable is recorded as a Due to Other Funds on the Community Development Agency Fund financial statements and as a Due from Other Funds on the General fund financial statements rather than a TIF Payable.

9. Interfund Transactions and Balances

The General Fund purchased \$600,000 of Development Revenue Bonds issued for the South Broad Street, LLC project on January 13, 2011. The General Fund originally recorded this as an investment of \$600,000. The prior year's governmental net assets have been restated to reflect the reclassification of these bonds to the estimated market value, see footnote A4.

Due to/from other funds:

At September 30, 2012 were the following due from/to other funds:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
City's share of communication center construction	E911	General	\$ 16,456
Reimburse expense for fuel, radio tower, postage and wages	Electric	General	28,621
Payment for service provided	Waste Transfer	General	92
Capital expenditures	General	Sales Tax	76,702
Capital expenditures	Street	Sales Tax	34,105
Reimburse expense for fuel and radio tower	Airport	Sales Tax	83
Capital expenditures	Special Projects	Sales Tax	665
Reimburse expense for fuel and radio tower	Electric	Street	10,237
Payment for service provided	Waste Transfer	Street	782
Capital expenditures	General	Keno	51,161
South Broad Street TIF	General	Community Development Agency	395,303

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

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

9. Interfund Transactions and Balances, Continued

Due to/from other funds, continued:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Reimburse expense for postage	Electric	Keno	6
Reimburse expense for postage	Electric	On Street Parking	10
Service cash flow needs	Debt	On Street Parking	1,484
Reimburse expense for postage	Electric	Downtown Improv. District	1
Reimburse expense for fuel and postage	Electric	Municipal Transit	1,022
Service cash flow needs	Debt	Municipal Transit	8,514
Reimburse expense for postage	Electric	E911	1
Reimburse expense for postage	Electric	Drug Task Force	4
Reimburse expense for expense reclassification	CDBG	Weatherization	1,045
Reimburse expense for fiber project and CSI	General	Electric	1,383
Reimburse expense for fiber project	General	Water	422
Reimburse expense for street fill	Street	Water	229
Reimburse expense for fiber project	General	Sewer	442
Reimburse expense for fiber project	General	Gas	843
Reimburse expense for street fill	Street	Gas	442

Operating transfers:

	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:			
Sales tax	Property tax relief; operating transfers; capital projects	\$ 3,334,416	\$ -
Keno	Capital projects	251,390	-
Public use property special projects	Library books and landscaping	12,116	-
Park special projects	Pool repairs and improvements	14,932	-
Drug task force	City's share of multi-jurisdictional task force	186,794	-
Electric	Expense reimbursement; fiber project	1,125	(13,313)
Water	Expense reimbursement; fiber project	422	-
Sewer	Expense reimbursement; fiber project	422	-
Gas	Expense reimbursement; fiber project	843	-
E911	City's contribution to dispatch operations	-	(453,812)
Transit	City's contribution to transit operations	-	(23,218)
On-street parking	Expense reimbursement; radio tower	-	(25,049)
Total general fund		<u>3,802,460</u>	<u>(515,392)</u>
Street fund:			
Sales tax	Various street improvement projects; drainage improvements; reimburse property insurance	282,815	-
Electric	Expense reimbursement; radio tower	-	(6,657)
Total street fund		<u>282,815</u>	<u>(6,657)</u>

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

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

9. Interfund Transactions and Balances, Continued

Operating transfers, continued:

Sales tax fund:			
General	Property tax relief; operating transfers; capital projects	-	(3,334,416)
Street	Various street improvement projects drainage improvements; reimburse property insurance	-	(282,815)
Special projects	Engineering costs of trails	-	(15,111)
Water	Infrastructure debt service contribution; NE water loop improvements; other Water extensions	-	(835,837)
Sewer	Infrastructure debt service contribution	-	(92,840)
Total sales tax fund		<u>-</u>	<u>(4,561,019)</u>
Non-major funds	Christensen field remodel - keno and park special project to special projects; land purchase; others see above	<u>615,904</u>	<u>(585,946)</u>
Enterprise funds	See above	<u>970,647</u>	<u>(2,812)</u>
Total operating transfers		<u>\$ 5,671,826</u>	<u>\$ (5,671,826)</u>

10. Deficit Fund Balance

At September 30, 2012, the On-Street Parking Fund had a deficit balance of \$2,128. The City expects to eliminate this deficit during the year ending September 30, 2013, by making interfund transfers of equity from the general fund.

At September 30, 2012, the Community Development Agency Fund had a deficit balance of \$345,717. Some of the deficit will be offset by the deferred revenue as it is earned in future years. The Community Development Agency also has the right to levy taxes to eliminate a deficit; however, no decision to levy taxes has been made.

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

The City participates in seven employee pension plans as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
City Government Employees' 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 OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

NOTE D – OTHER NOTES, CONTINUED

1. Employee Pension and Other Benefit Plans, Continued

City Government 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, 2012, there were 68 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, 2012, the City's total payroll and covered payroll under the plan was \$2,874,733 and \$2,870,685, respectively.

The employees and the City contributed \$143,537 and \$176,704, respectively, as required by the plan for the fiscal year ended September 30, 2012.

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 and \$108,000 on September 25, 2012.

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.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

NOTE D – OTHER NOTES, CONTINUED

1. Employee Pension and Other Benefit Plans, continued

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, 2012, the City's total payroll and covered payroll under the plan was \$2,693,965 and \$2,670,023, respectively.

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, 2012	\$ 406,351
Benefit obligation	<u>389,697</u>
Funded status	<u>\$ 16,654</u>
Prepaid (accrued) benefit cost recognized in the balance sheet	<u>\$ -</u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

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 55 participants in the plan as of September 30, 2012.

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, 2012.

Contributions made under the defined contribution portion of the Police Plan for the year ended September 30, 2012 were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 160,104	6.0%
Employee	<u>160,104</u>	<u>6.0</u>
	<u>\$ 320,208</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, 2012, the City's total payroll and covered payroll under the plan was \$1,534,999 and \$1,400,132, respectively.

As of January 1, 2011, the date of the last actuarial valuation of the defined benefit plan, there were 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, 2012

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, 2012	\$ 993,676
Benefit obligation	<u>750,715</u>
Funded status	<u>\$ 242,961</u>
Prepaid (accrued) benefit cost recognized in the balance sheet	<u>\$ -</u>

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, 2012.

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, 2012.

Contributions made under the defined contribution portion of the Firefighters Plan for the year ended September 30, 2012, were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 175,946*	13.0%
Employee	<u>83,618</u>	<u>6.5</u>
	<u>\$ 259,564</u>	<u>19.5%</u>

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

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2012

NOTE D – OTHER NOTES, CONTINUED

1. Employee Pension and Other Benefit Plans, Continued

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, 2012, there were 173 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, 2012, the City's total payroll and covered payroll under the plan was \$8,821,596 and \$8,788,200, respectively.

The employees and the City contributed \$439,414 and \$542,697, respectively, as required by the plan, for the fiscal year ended September 30, 2012.

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 \$334,839 and the City contributed \$0 under the plan for the year ended September 30, 2012.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

NOTE D – OTHER NOTES, Continued

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.

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 \$390,000. 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 \$119,540. This has been included as a current year expenditure. For all of the self-insured funds, an unreserved fund balance of \$2,525,163 was in the Internal Service Fund at September 30, 2012.

Deposits and Investments

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, 2012, the City's investments consisted of the following:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank/Fremont	\$ 22,441,652 *
Pinnacle Bank/Columbus	2,500,000 *
Cornerstone Bank, Columbus	1,000,000
Platte Valley Bank, North Bend	350,000
Nebraska Land National Bank	620,662
Nebraska Public Agency Investment Trust	5,150,000 *
Totals	<u>\$ 32,062,314</u>

* Represent more than five percent of total investments

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, 2012.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

NOTE D – OTHER NOTES, Continued

2. Risk Management, Continued

Deposits and Investments, Continued

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, 2012 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 2012	\$ 5,813,852
November 2012	1,020,662
December 2012	3,500,000
January 2013	500,000
February 2013	500,000
March 2013	3,600,000
April 2013	3,000,000
May 2013	500,000
June 2013	1,000,000
July 2013	500,000
August 2013	1,550,000
September 2013	900,000
Due in more than 12 months	9,677,800
	<u>\$ 32,062,314</u>

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.

3. Commitments and Contingencies

Regulatory Compliance

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, 2012, 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 C-1 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, 2012

NOTE D – OTHER NOTES, CONTINUED

3. Commitments and Contingencies, Continued

Regulatory Compliance, continued

The Department's operations are subject to stringent federal, state, and local laws and regulations relating to improving and maintaining environmental quality. Current studies have determined that a substantial capital investment will be required to bring the Department into compliance with environmental regulations including mercury emissions. Environmental expenditures related to current operations are factored into the strategic planning process of the Department and are considered when determining future energy rates. Financing of these expenditures is expected to be through available cash reserves and bonded debt.

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.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2012</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
Governmental Funds:				
Airport Runway 14/32	\$ 3,899,907	\$ 3,879,554	\$ 20,352	January, 2013
Ronin Pool Phase III	23,786	7,167	16,619	May, 2013
Westside BNSF Viaduct	216,078	93,875	122,203	May, 2013
Library Roof	181,654	24,650	157,004	March, 2013
23rd Ave North & Lincoln Ave Intersection	99,730	79,117	20,613	December, 2012
E911 Joint Communications Center	115,500	32,912	82,588	January, 2013
Paving District 548 - Main St 1st to 3rd	220,548	51,492	169,056	December, 2012
South Hangar Complex	137,840	-	137,840	January, 2013
West Military Paving & Drainage Design	36,000	32,400	3,600	March, 2013
Ambulance	228,783	-	228,783	April, 2013
Dark Fiber	155,250	5,625	149,625	May, 2013
Enterprise Funds:				
Roof repair - PP & WH	148,680	125,244	23,436	September, 2012
32nd Street 69kV Relocation	589,058	-	589,058	April, 2013
Unit 8 Environmental Upgrade	412,693	44,210	368,483	November, 2015
City Hall standby generator	54,780	-	54,780	April, 2013
NE Water loop 30" main	24,500	23,275	1,225	February, 2013
Wellhouse #5 Building	28,060	-	28,060	February, 2013
Solids processing building roof	41,975	-	41,975	April, 2013
	<u>\$ 6,614,821</u>	<u>\$ 4,399,521</u>	<u>\$ 2,215,300</u>	

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

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. The City met the tonnage requirement of the first year of the contract. As of September 30, 2012, the City had purchased 202,583 of the tons required under the second contract year.

In the current year, the Electric Department entered into an agreement with Arch Coal Sales Company, Inc., effective January 1, 2013 through December 31, 2014. Under the terms of the agreement, the City must purchase 275,000 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.

The Electric Department had 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.

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.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

NOTE D – OTHER NOTES, CONTINUED

3. Commitments and Contingencies, Continued

Gas Department

The Gas Department entered into an agreement to purchase natural gas from OGE Energy Resources on September 27, 2011. The agreement was 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. On June 27, 2012, the City was notified of OGE Energy Resources of the termination of this contract effective November 1, 2012 due to a change in ownership of the company.

On October 19, 2011, 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.

The Gas Department entered into an agreement to purchase natural gas from BP Canada Energy Marketing Corp. on September 18, 2012. The agreement is effective November 1, 2012 through October 31, 2017. The MDQ volume under the contract is as follows: 5.000 MMBtu/day for November 2012, March 2013, November 2013, March 2014, November 2014, March 2015, November 2015, March 2016, November 2016 and March 2017; 7.000 MMBtu/day for December 2012 – February 2013, December 2013 – February 2014, December 2014 – February 2015, December 2015 – February 2016, and December 2016 to February 2017; 4,000 MMBtu/day for April 2013, October 2013, April 2014, October 2014, April 2015, October 2015, April 2016, October 2016, April 2017 and October 2017; 3,000 MMBtu/day for May 2013 – September 2013, May 2014 to May 2014, May 2015 – September 2015, May 2016 – September 2016, and May 2017 – September 2017. The price is based on the monthly index published inside FERC's Gas Market Report. Under the same agreement, the City agreed to purchase 1,000 MMBtu/day for December 2012, February and December 2013, February and December 2014, February and December 2015, February and December 2016, and February 2017; and 2,000 MMBtu/day for January 2013, January 2014, January 2015, January 2016, and January 2017.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

NOTE D – OTHER NOTES, CONTINUED

4. Major Customers

The City has one customer that was billed \$2,828,413 for electricity, \$2,196,586 for gas, and \$1,526,003 for sewer for the year ended September 30, 2012. This represents 9.9 percent of total electric billing, 16.3 percent of total gas billing, and 35.3 percent of total sewer billing, respectively, for the year ended September 30, 2012. (The billings represent 13.2 percent of total City utility billings.) This customer maintains a current status on monthly billings.

5. Interlocal Agreements

The City has the following interlocal agreements in effect as of September 30, 2012:

Parties to Agreement	Term	Description
Dodge County School District No. 1	4/3/2002 to project payment completion	Improvements on property formerly known as Johnson property
Dodge County School District No. 1	4/5/2007 to perpetual	Construct and maintain parking lot at 9th and H Street
Dodge County School District No. 1	5/12/2012 to project completion	Engineering firm to give estimate on joint fiber project.
League Association of Risk Management	N/A	Provide risk management and insurance coverage
Dodge County, Village of Inglewood, LPNNRD	7/22/2003 - completion	Evaluate potential for channel cut-off levee project (south Fremont)
Cities: Columbus, Norfolk, Battle Creek, Hooper, Oakland, Inglewood, Stanton, Craig, Hoskins, Meadow Grove, Pilger, Uehling. Counties: Burt, Dodge, Madison & Stanton	7/28/1992 for thirty years	Provide solid waste management to their respective constituencies by the means of creating, building and operating a solid waste disposal facility (landfill).
Sanitary Improvement District #8	2/10/2009	Supplementation of present emergency warning system by connecting its emergency warning system to the City of Fremont's system.
Village of Inglewood	6/15/2012 - 6/15/2013	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

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2012

NOTE D – OTHER NOTES, CONTINUED

5. Interlocal Agreements, Continued

Parties to Agreement	Term	Description
Counties: Dodge, Burt, Saunders, Colfax, Cuming, and Washington Cities: Dodge, Snyder, Scribner, Hooper, Uehling, Winslow, Nickerson, North Bend and Inglewood	12/01/2012 - 12/31/2016	Enhanced 911 services
Dodge County, Cuming County, and City of Blair	10/31/2009 - funds are exhausted	Drug task force
Dodge County School District No. 1	10/15/2011 - 10/15/2012	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.
Region 5/6 Emergency Management Agency	6/30/2012 to termination	Provide emergency management functions
Dodge County	4/10/2012 to perpetual	Joint communications center to provide dispatch services
Saunders County	12/5/2011 to termination	Extra jurisdictional sharing of resources and capabilities to protect and maintain peace.
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, 2012

NOTE D – OTHER NOTES, CONTINUED

6. EPA Emissions Allowances

As of September 30, 2012, the City had 3,002 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 for the market value at September 30, 2012 of \$0.65, the City would recognize revenue of \$1,951.

The City received an additional 2,044 credits each year through 2010. After 2010, they will receive 1,184 credits per year until 2036. In 2013, the City will receive an additional one-time credit of 10,400 allowances awarded for the 2012 calendar year.

7. 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, 2011 – September 30, 2013. This contract was approved March 29, 2012 and provisions were applied retroactively.

8. Subsequent Events

Management has evaluated subsequent events through March 20, 2013, the date on which the financial statements were available for issue.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 4,476,703	\$ 4,581,527	\$ 104,824
Payments in lieu of taxes	2,599,800	2,598,991	(809)
Franchise	270,000	281,410	11,410
Business	595,000	414,833	(180,167)
Intergovernmental	527,181	432,716	(94,465)
Charges for services	1,467,200	1,449,040	(18,160)
Donations	191,000	23,957	(167,043)
Interest income	25,000	24,604	(396)
Other	10,500	56,951	46,451
	<u>10,162,384</u>	<u>9,864,029</u>	<u>(298,355)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	3,751,712	1,873,218	(1,878,494)
Public safety	7,966,683	6,553,299	(1,413,384)
Public works	652,600	595,465	(57,135)
Environment and leisure	3,220,198	2,824,857	(395,341)
Employee insurance	177,207	183,314	6,107
	<u>15,768,400</u>	<u>12,030,153</u>	<u>(3,738,247)</u>
Resources over (under) charges to appropriations	<u>(5,606,016)</u>	<u>(2,166,124)</u>	<u>3,439,892</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,195,802	3,802,460	(1,393,342)
Transfers out	<u>(515,392)</u>	<u>(515,392)</u>	-
Net transfers	<u>4,680,410</u>	<u>3,287,068</u>	<u>(1,393,342)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (925,606)</u>	<u>\$ 1,120,944</u>	<u>\$ 2,046,550</u>

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 430,000	\$ 443,664	\$ 13,664
Intergovernmental	4,970,000	2,299,943	(2,670,057)
Charges for services	30,000	38,630	8,630
Interest income	60,000	22,290	(37,710)
Other income	150,000	9,132	(140,868)
	<hr/>	<hr/>	<hr/>
Total resources	5,640,000	2,813,659	(2,826,341)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	13,760,000	3,360,963	(10,399,037)
	<hr/>	<hr/>	<hr/>
Resources over (under) charges to appropriations	(8,120,000)	(547,304)	7,572,696
OTHER FINANCING SOURCES			
Transfers in	7,520,473	282,815	(7,237,658)
Transfers out	-	(6,657)	(6,657)
	<hr/>	<hr/>	<hr/>
Net transfers	7,520,473	276,158	(7,244,315)
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ (599,527)	\$ (271,146)	\$ 328,381

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 5,660,763	\$ 5,682,384	\$ 21,621
Intergovernmental	67,296	-	(67,296)
Charges for services	9,000	57,984	48,984
Interest income	91,000	66,522	(24,478)
Bond proceeds	2,900,000	-	(2,900,000)
Loan repayment proceeds	<u>352,233</u>	<u>567,585</u>	<u>215,352</u>
Total resources	9,080,292	6,374,475	(2,705,817)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	<u>300</u>	<u>194,870</u>	<u>194,570</u>
Resources over (under) charges to appropriations	9,079,992	6,179,605	(2,900,387)
OTHER FINANCING USES			
Transfers out	<u>(13,436,943)</u>	<u>(4,561,019)</u>	<u>8,875,924</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES	<u>\$ (4,356,951)</u>	<u>\$ 1,618,586</u>	<u>\$ 5,975,537</u>

CITY OF FREMONT, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Note A - Explanation of Differences between Budgetary Inflows and Outflows and Modified Accrual 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	\$ 9,864,029	\$ 2,813,659	\$ 6,374,475
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>161,694</u>	<u>4,130</u>	<u>(598,373)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$10,025,723</u></u>	<u><u>\$ 2,817,789</u></u>	<u><u>\$ 5,776,102</u></u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$12,030,153	\$ 3,360,963	\$ 194,870
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>(400,683)</u>	<u>(90,427)</u>	<u>1,214</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$11,629,470</u></u>	<u><u>\$ 3,270,536</u></u>	<u><u>\$ 196,084</u></u>

CITY OF FREMONT, NEBRASKA

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

YEAR ENDED SEPTEMBER 30, 2012

<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	\$ 4,789,831	\$ 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, 2012

	<u>Special Revenue Funds</u>		
	<u>Debt Service</u>	<u>Municipal Transit</u>	<u>Paving & Sidewalk Districts</u>
ASSETS			
Cash and cash equivalents	\$ 159,363	\$ -	\$ 831,806
Investments	-	-	500,000
County treasurer cash	9,008	-	-
Receivables:			
Special assessments	-	-	329,368
Accounts, net of allowance for doubtful accounts	-	500	-
Notes, net of allowance for doubtful accounts	-	-	-
Interest	-	-	20,802
TIF bond receivable	-	-	-
Due from other governments	-	12,894	-
Due from other funds	9,998	-	666
Total assets	<u>\$ 178,369</u>	<u>\$ 13,394</u>	<u>\$ 1,682,642</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 63	\$ -
Due to other funds	-	9,536	-
Accrued expenses	14,541	3,358	-
TIF payable	-	-	-
Deferred revenue	-	200	329,368
Total liabilities	<u>14,541</u>	<u>13,157</u>	<u>329,368</u>
Fund balances (deficit):			
Nonspendable:			
Permanent Fund principal	-	-	-
Notes receivable	-	-	-
Restricted for:			
Debt service	163,828	-	-
Public safety	-	-	-
Economic development	-	-	-
Capital/special projects	-	-	1,353,274
Federal programs	-	237	-
Community betterment	-	-	-
Assigned for:			
Airport	-	-	-
Downtown improvements/parking	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>163,828</u>	<u>237</u>	<u>1,353,274</u>
Total liabilities and fund balances	<u>\$ 178,369</u>	<u>\$ 13,394</u>	<u>\$ 1,682,642</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>
\$ 78,760	\$ 24,350	\$ 27,369	\$ -	\$ -	\$ 1,186,191
-	-	175,000	-	-	250,000
-	-	-	-	-	-
-	-	-	-	-	-
-	2,695	-	-	-	17,937
-	-	-	-	-	-
-	-	803	-	-	746
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 78,760</u>	<u>\$ 27,045</u>	<u>\$ 203,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,454,874</u>
\$ -	\$ 309	\$ -	\$ -	\$ -	\$ 72,247
-	1	-	-	1,494	51,167
-	-	-	-	634	-
-	-	-	-	-	-
-	2,695	-	-	-	-
-	<u>3,005</u>	-	-	<u>2,128</u>	<u>123,414</u>
-	-	125,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
78,760	-	78,172	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,331,460
-	-	-	-	-	-
-	24,040	-	-	-	-
-	-	-	-	(2,128)	-
<u>78,760</u>	<u>24,040</u>	<u>203,172</u>	<u>-</u>	<u>(2,128)</u>	<u>1,331,460</u>
<u>\$ 78,760</u>	<u>\$ 27,045</u>	<u>\$ 203,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,454,874</u>

CITY OF FREMONT, NEBRASKA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<u>Special Revenue Funds</u>		
	<u>CDBG</u>	<u>Weatherization</u>	<u>Economic</u>
	<u>Fund</u>	<u>EDA (HUD)</u>	<u>Enhancement</u>
ASSETS			
Cash and cash equivalents	\$ 550,358	\$ 33,619	\$ 169,114
Investments	-	-	100,000
County treasurer cash	-	-	-
Receivables:			
Special assessments	-	-	-
Accounts, net of allowance for doubtful accounts	-	-	-
Notes, net of allowance for doubtful accounts	652,549	412,163	35,000
Interest	-	-	278
TIF bond receivable	-	-	-
Due from other governments	23,735	-	-
Due from other funds	1,045	-	-
	<u>1,045</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,227,687</u>	<u>\$ 445,782</u>	<u>\$ 304,392</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 11,847	\$ 32	\$ -
Due to other funds	-	1,045	-
Accrued expenses	-	-	-
TIF payable	-	-	-
Deferred revenue	-	-	-
	<u>11,847</u>	<u>1,077</u>	<u>-</u>
Fund balances (deficit):			
Nonspendable:			
Permanent fund principal	-	-	-
Notes receivable	652,549	412,163	35,000
Reserved for:			
Debt service	-	-	-
Public safety	-	-	-
Economic development	-	-	269,392
Capital/special projects	-	-	-
Federal programs	563,291	32,542	-
Community betterment	-	-	-
Assigned for:			
Airport	-	-	-
Downtown improvements/parking	-	-	-
Unreserved	-	-	-
	<u>1,215,840</u>	<u>444,705</u>	<u>304,392</u>
Total fund balances (deficit)	<u>1,215,840</u>	<u>444,705</u>	<u>304,392</u>
Total liabilities and fund			
balances	<u>\$ 1,227,687</u>	<u>\$ 445,782</u>	<u>\$ 304,392</u>

Special Revenue Funds				Capital Projects	Total Non-major Governmental Funds
Airport Fund	Enhanced & Wireless 911	Drug Task Force	Community Development Agency	Special Projects	
\$ 70,874	\$ 255,418	\$ 105,737	\$ 49,586	\$ 393,183	\$ 3,935,728
-	-	-	-	-	1,025,000
-	-	-	-	-	9,008
-	-	-	-	-	329,368
489	36,091	-	-	114,488	172,200
-	-	-	-	-	1,099,712
-	-	-	-	-	22,629
-	-	-	1,175,381	-	1,175,381
-	30,624	2,743	-	30,500	100,496
83	16,456	-	-	-	28,248
<u>\$ 71,446</u>	<u>\$ 338,589</u>	<u>\$ 108,480</u>	<u>\$ 1,224,967</u>	<u>\$ 538,171</u>	<u>\$ 7,897,770</u>
\$ 2,788	\$ 29,710	\$ 9,810	\$ -	\$ 407	\$ 127,213
-	1	4	395,303	-	458,551
306	23,786	583	-	-	43,208
-	-	-	919,582	-	919,582
7,200	-	310	255,799	-	595,572
<u>10,294</u>	<u>53,497</u>	<u>10,707</u>	<u>1,570,684</u>	<u>407</u>	<u>2,144,126</u>
-	-	-	-	-	125,000
-	-	-	-	-	1,099,712
-	-	-	-	-	163,828
-	285,092	97,773	-	-	382,865
-	-	-	-	-	269,392
-	-	-	-	537,764	2,047,970
-	-	-	-	-	596,070
-	-	-	-	-	1,331,460
61,152	-	-	-	-	61,152
-	-	-	-	-	24,040
-	-	-	(345,717)	-	(347,845)
<u>61,152</u>	<u>285,092</u>	<u>97,773</u>	<u>(345,717)</u>	<u>537,764</u>	<u>5,753,644</u>
<u>\$ 71,446</u>	<u>\$ 338,589</u>	<u>\$ 108,480</u>	<u>\$ 1,224,967</u>	<u>\$ 538,171</u>	<u>\$ 7,897,770</u>

CITY OF FREMONT, NEBRASKA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

		Special Revenue Funds	
	Debt Service	Municipal Transit	Paving & Sidewalk Districts
REVENUES			
Property tax	\$ 323,105	\$ -	\$ -
TIF payments	-	-	-
Payments in lieu of taxes	612	-	-
Intergovernmental	-	72,795	-
Keno	-	-	-
Charges for services	-	3,850	105,832
Donations	-	-	-
Interest income	232	(13)	28,754
Other income	-	-	-
Total revenues	<u>323,949</u>	<u>76,632</u>	<u>134,586</u>
EXPENDITURES			
General government	55,085	-	-
Public safety	-	-	-
Public works	-	-	(9,327)
Environment and leisure	-	100,536	-
Principal payments on debt	210,000	-	-
Interest on long-term debt	90,622	-	-
Total expenditures	<u>355,707</u>	<u>100,536</u>	<u>(9,327)</u>
Excess (deficiency) of revenues over expenditures	<u>(31,758)</u>	<u>(23,904)</u>	<u>143,913</u>
OTHER FINANCING SOURCES (USES)			
Issuance of refunding bonds	4,165,000	-	-
Refunding bond redeemed	(4,165,000)	-	-
Sale of capital asset	-	-	-
Transfers in (out)	-	23,218	-
Total other financing sources (uses)	<u>-</u>	<u>23,218</u>	<u>-</u>
Net change in fund balances	<u>(31,758)</u>	<u>(686)</u>	<u>143,913</u>
Fund balances - September 30, 2011 as originally reported	195,586	923	1,209,361
Restatement	-	-	-
Fund balances - September 30, 2012, as restated	<u>195,586</u>	<u>923</u>	<u>1,209,361</u>
Fund balances - September 30, 2012	<u>\$ 163,828</u>	<u>\$ 237</u>	<u>\$ 1,353,274</u>

Special Revenue Funds					
Park Special Projects	Downtown Improvement District	Public Use Property Special Projects	Christensen Field Project	On- Street Parking	Keno Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	544,951
-	12,805	-	-	12,108	-
-	-	-	-	-	21,600
292	49	1,627	-	(11)	3,011
-	-	-	-	-	4,367
<u>292</u>	<u>12,854</u>	<u>1,627</u>	<u>-</u>	<u>12,097</u>	<u>573,929</u>
-	16,869	-	-	-	-
-	-	-	-	29,934	-
-	-	-	-	-	-
-	-	-	-	-	217,239
-	-	-	-	-	-
<u>-</u>	<u>16,869</u>	<u>-</u>	<u>-</u>	<u>29,934</u>	<u>217,239</u>
<u>292</u>	<u>(4,015)</u>	<u>1,627</u>	<u>-</u>	<u>(17,837)</u>	<u>356,690</u>
-	-	-	-	-	-
-	-	-	-	-	-
(97,953)	-	(12,116)	(1)	25,049	(267,081)
<u>(97,953)</u>	<u>-</u>	<u>(12,116)</u>	<u>(1)</u>	<u>25,049</u>	<u>(267,081)</u>
<u>(97,661)</u>	<u>(4,015)</u>	<u>(10,489)</u>	<u>(1)</u>	<u>7,212</u>	<u>89,609</u>
176,421	28,055	213,661	1	(9,340)	1,241,851
-	-	-	-	-	-
<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>\$ 78,760</u>	<u>\$ 24,040</u>	<u>\$ 203,172</u>	<u>\$ -</u>	<u>\$ (2,128)</u>	<u>\$ 1,331,460</u>

CITY OF FREMONT, NEBRASKA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds		
	CDBG Fund	Weatherization EDA (HUD)	Economic Enhancement
REVENUES			
Property tax	\$ -	\$ -	\$ -
TIF payments	-	-	-
Payment in lieu of taxes	-	-	-
Intergovernmental	627,878	84,519	-
Keno	-	-	-
Charges for services	-	-	-
Donations	7,497	-	-
Interest income	2,616	588	1,033
Other income	23	-	-
Total revenues	<u>638,014</u>	<u>85,107</u>	<u>1,033</u>
EXPENDITURES			
General government	1,049,757	78,519	100,000
Public safety	-	-	-
Public works	-	-	-
Environment and leisure	-	-	-
Principal payments on debt	-	-	-
Interest on long-term debt	-	-	-
Total expenditures	<u>1,049,757</u>	<u>78,519</u>	<u>100,000</u>
Excess (deficiency) of revenues over expenditures	<u>(411,743)</u>	<u>6,588</u>	<u>(98,967)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of refunding bonds	-	-	-
Refunding bond redeemed	-	-	-
Sale of capital asset	-	-	-
Transfers in (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(411,743)</u>	<u>6,588</u>	<u>(98,967)</u>
Fund balances - September 30, 2011 as originally reported	1,627,583	438,117	403,359
Restatement	-	-	-
Fund balances - September 30, 2012, as restated	<u>1,627,583</u>	<u>438,117</u>	<u>403,359</u>
Fund balances - September 30, 2012	<u>\$ 1,215,840</u>	<u>\$ 444,705</u>	<u>\$ 304,392</u>

Special Revenue Funds				Capital Projects	Total Non-major Governmental Funds
Airport Fund	Enhanced & Wireless 911	Drug Task Force	Community Development Agency	Special Projects	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323,105
-	-	-	202,638	-	202,638
-	-	-	-	-	612
34,462	61,075	302,598	-	135,940	1,319,267
-	-	-	-	-	544,951
125,013	211,182	-	-	-	470,790
-	-	-	-	474,877	503,974
186	694	-	569	547	40,174
67	-	1,520	2,293	-	8,270
<u>159,728</u>	<u>272,951</u>	<u>304,118</u>	<u>205,500</u>	<u>611,364</u>	<u>3,413,781</u>
-	-	-	203,662	1,352,519	2,856,411
-	591,916	118,748	-	-	740,598
-	-	-	-	-	(9,327)
202,274	-	-	-	804,962	1,325,011
21,000	-	-	-	-	231,000
-	-	-	-	-	90,622
<u>223,274</u>	<u>591,916</u>	<u>118,748</u>	<u>203,662</u>	<u>2,157,481</u>	<u>5,234,315</u>
<u>(63,546)</u>	<u>(318,965)</u>	<u>185,370</u>	<u>1,838</u>	<u>(1,546,117)</u>	<u>(1,820,534)</u>
-	-	-	-	-	4,165,000
-	-	-	-	-	(4,165,000)
-	-	-	-	807,131	807,131
-	453,811	(186,794)	-	91,825	29,958
<u>-</u>	<u>453,811</u>	<u>(186,794)</u>	<u>-</u>	<u>898,956</u>	<u>837,089</u>
<u>(63,546)</u>	<u>134,846</u>	<u>(1,424)</u>	<u>1,838</u>	<u>(647,161)</u>	<u>(983,445)</u>
124,698	150,246	99,197	-	1,184,925	7,084,644
-	-	-	(347,555)	-	(347,555)
<u>124,698</u>	<u>150,246</u>	<u>99,197</u>	<u>(347,555)</u>	<u>1,184,925</u>	<u>6,737,089</u>
<u>\$ 61,152</u>	<u>\$ 285,092</u>	<u>\$ 97,773</u>	<u>\$ (345,717)</u>	<u>\$ 537,764</u>	<u>\$ 5,753,644</u>

SINGLE AUDIT REPORT

CITY OF FREMONT, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2012

<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	\$ 39,933
Passed through Nebraska Department of Aeronautics:		
Airport Improvement Program	20.106	<u>33,530</u>
Total Department of Transportation		<u>73,463</u>
<u>Environmental Protection Agency</u>		
Direct Award:		
Brownfields Assessment and Cleanup Grant	66.818	<u>105,440</u>
<u>Department of Justice</u>		
Passed through the Nebraska State Patrol:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	170,000
Organized Crime Drug Enforcement Task Forces Program	16.738	<u>1,474</u>
Total Department of Justice		<u>171,474</u>
<u>Department of Homeland Security</u>		
Passed through Nebraska Emergency Management Agency:		
Disaster Grants of Presidentially Declared Disasters	97.036	<u>46,575</u>
<u>Department of Housing and Urban Development</u>		
Passed through Nebraska Department of Economic Development:		
Community Development Block Grant	14.228	<u>758,451 *</u>
<u>Executive Office of the President</u>		
Passed through Nebraska State Patrol:		
High Intensity Drug Trafficking Area Program	95.001	<u>41,165</u>
Total Expenditures of Federal Awards		<u>\$ 1,196,568</u>

*Major Program

CITY OF FREMONT, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

SEPTEMBER 30, 2012

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 relays the funds to other low- to moderate-income families and businesses. The balance of loans outstanding as of September 30, 2012 is \$1,064,712, net of allowance for doubtful accounts of \$301,358.

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March 20, 2013

**INDEPENDENT AUDITOR'S 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**

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, each major fund, and the aggregate remaining fund information of City of Fremont, Nebraska (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City of Fremont, Nebraska's basic financial statements and have issued our report thereon dated March 20, 2013. 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

Management of City of Fremont, Nebraska, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Fremont, Nebraska'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 City of Fremont, Nebraska's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fremont, Nebraska'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Fremont, Nebraska'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*.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and the State of Nebraska Auditor of Public Accounts and is not intended to be and should not be used by anyone other than these specified parties.

HSMC Orizon LLC
HSMC ORIZON LLC

March 20, 2013

**INDEPENDENT AUDITOR'S 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**

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

We have audited City of Fremont, Nebraska's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Fremont, Nebraska's major federal programs for the year ended September 30, 2012. City of Fremont, Nebraska's major federal programs are identified in the summary of auditor's 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 City of Fremont, Nebraska's management. Our responsibility is to express an opinion on City of Fremont, Nebraska'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 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 City of Fremont, Nebraska's compliance with those requirements.

In our opinion, City of Fremont, Nebraska, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control over Compliance

Management of 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 City of Fremont, Nebraska's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 City of Fremont, Nebraska'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 was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, City Council, others within the entity, federal awarding agencies, and the State of Nebraska Auditor of Public Accounts and is not intended to be and should not be used by anyone other than these specified parties.

HSMC Orizon LLC

HSMC ORIZON LLC

CITY OF FREMONT, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2012

Part I: Summary of Auditor's Results:

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. No material weaknesses in internal control over financial reporting were reported.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. No material weaknesses in internal control over compliance with requirements that could have a direct and material effect on a major federal awards program was reported.
5. The independent auditor's report on compliance with requirements that could have a direct and material effect to each major federal award program expressed an unqualified opinion.
6. The audit disclosed no findings required to be reported by OMB Circular A-133.
7. The City's major program was the Community Development Block Grant (CFDA 14.228):
8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II: Findings Related to the Financial Statements:

None

Part III: Findings and Questioned Costs Related to Federal Awards:

None

CITY OF FREMONT, NEBRASKA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

Planned Corrective Action: The City should reassign conflicting duties among the current accounting staff to allow for proper internal accounting control and segregation of duties.

Status: Corrective Action Taken.