

CITY OF FREMONT, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2013

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January 22, 2014

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Honorable Mayor and Members of the City Council
City of Fremont, Nebraska
January 22, 2014
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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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note D9 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress – public safety employees' retirement system on pages 4–12, 65-68, and 69 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fremont, Nebraska's basic financial statements. The combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Honorable Mayor and Members of the City Council
City of Fremont, Nebraska
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The combining and individual nonmajor 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014, 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* in considering City of Fremont, Nebraska's internal control over financial reporting and compliance.


HSMC ORIZON LLC

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED SEPTEMBER 30, 2013

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, 2013.

Financial Highlights

- The assets of the City of Fremont exceeded its liabilities at the close of the most recent fiscal year by \$205,172,704 (*net position*). Of this amount, \$43,305,140 (*unrestricted net position*) 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 position of \$72,382,909. Approximately 14.1 percent of this total amount, \$10,179,786, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,269,943, or 45.6 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 position* presents information about the City of Fremont's assets, deferred outflow of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Fremont is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 13 and 14 of this report.

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2013

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 19 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 16 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 15 - 18 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 19 - 22 of this report.

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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 23 - 64 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 65 - 69 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 70 - 73 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 \$205,172,704 at the close of the most recent fiscal year.

Summary of Net Position

	September 30, 2013			September 30, 2012 (restated)		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Current and Other Assets	\$ 39,687,422	\$ 63,214,233	\$ 102,901,655	\$ 37,775,155	\$ 49,624,430	\$ 87,399,585
Capital Assets	40,413,822	116,567,766	156,981,588	38,502,840	116,224,057	154,726,897
Total Assets	80,101,244	179,781,999	259,883,243	76,277,995	165,848,487	242,126,482
Long-term Liabilities	4,698,597	39,998,993	44,697,590	5,091,157	32,325,291	37,416,448
Other Liabilities	3,019,738	6,993,211	10,012,949	2,051,385	5,602,312	7,653,697
Total Liabilities	7,718,335	46,992,204	54,710,539	7,142,542	37,927,603	45,070,145
Net Position:						
Net Investment						
in Capital Assets	36,577,572	84,885,568	121,463,140	34,426,696	83,007,446	117,434,142
Restricted	25,625,551	14,778,873	40,404,424	26,386,492	4,891,621	31,278,113
Unrestricted	10,179,786	33,125,354	43,305,140	8,322,265	40,021,817	48,344,082
Total Net Position	\$ 72,382,909	\$ 132,789,795	\$ 205,172,704	\$ 69,135,453	\$ 127,920,884	\$ 197,056,337

The largest portion of the City of Fremont's net position (59.2 percent) reflects its net 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 position (19.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$43,305,140) 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, 2013**

At the end of the current fiscal year, the City of Fremont is able to report positive balances in all three categories of net position, 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>	(restated)			
	<u>Year Ended September 30, 2013</u>		<u>Year Ended September 30, 2012</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General government	\$ 703,456	\$ 3,395,577	\$ 935,633	\$ 3,215,148
Public safety	1,555,786	7,349,224	1,274,135	7,012,292
Public works	397,658	3,225,535	841,934	2,661,300
Environment and leisure	755,277	3,248,244	1,598,105	3,100,402
Non-departmental	-	164,650	-	177,208
Interest	-	88,685	-	90,622
Depreciation and amortizaion	-	1,713,340	-	1,689,314
Total	<u>\$ 3,412,177</u>	<u>\$ 19,185,255</u>	<u>\$ 4,649,807</u>	<u>\$ 17,946,286</u>

Revenues by Source – Governmental Activities

<u>SOURCES OF REVENUE</u>	(restated)			
	<u>Year Ended September 30, 2013</u>		<u>Year Ended September 30, 2012</u>	
Charges for services	\$ 2,279,419	10.16 %	\$ 2,014,544	9.67 %
Operating grants and contributions	1,066,332	4.75	1,304,800	6.26
Capital grants and contributions	66,426	0.30	1,330,463	6.39
Property taxes	4,853,929	21.64	4,879,912	23.42
Motor vehicle taxes	451,668	2.01	440,927	2.12
Sales tax	5,681,535	25.33	5,638,024	27.04
TIF payments	254,511	1.13	202,638	0.97
Payments in lieu of taxes	10,807	0.05	2,599,331	12.48
Franchise taxes	266,951	1.19	280,803	1.35
Other taxes	1,107,658	4.94	510,411	2.45
State allocation	2,858,458	12.74	2,692,405	12.92
Keno	535,654	2.39	544,951	2.62
Special assessments	390,443	1.74	204	0.00
Miscellaneous	57,220	0.26	75,880	0.36
Interest	124,179	0.55	133,213	0.64
Gain (loss) on sale of assets	(17,903)	(0.08)	(844,537)	(4.05)
Transfer from (to) other funds	2,445,424	10.90	(967,835)	(4.64)
Total	<u>\$ 22,432,711</u>	<u>100.00 %</u>	<u>\$ 20,836,134</u>	<u>100.00 %</u>

Net position increased \$3,247,456 in the governmental activities during the year ended September 30, 2013.

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Business-type Activities. Business-type activities increased the City of Fremont's net position by \$4,868,911, accounting for total growth of 60.0 percent of the total growth in the government's net position for the year ended September 30, 2013. Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2013</u>		<u>(restated) Year Ended September 30, 2012</u>	
	<u>Program</u>	<u>Program</u>	<u>Program</u>	<u>Program</u>
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Electric	\$ 33,741,231	\$ 28,525,971	\$ 31,305,727	\$ 28,193,256
Water	3,233,760	2,618,695	3,513,655	2,566,278
Sewer	4,282,133	3,891,690	4,524,953	3,886,245
Gas	15,371,340	13,956,256	13,472,831	13,502,553
Waste transfer	1,123,383	1,430,750	1,258,066	1,302,914
Total	<u>\$ 57,751,847</u>	<u>\$ 50,423,362</u>	<u>\$ 54,075,232</u>	<u>\$ 49,451,246</u>

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2013</u>		<u>Year Ended September 30, 2012</u>	
Charges for services	\$ 57,432,357	103.87 %	\$ 53,889,301	97.90 %
Operating grants and contributions	141,456	0.26	54,338	0.10
Capital grants and contributions	178,034	0.32	131,593	0.24
Interest	188,912	0.34	162,425	0.30
Gain (loss) on sale of assets	(203,062)	(0.37)	(167,782)	(0.30)
Transfer (to) from other funds	(2,445,424)	(4.42)	967,835	1.76
Total	<u>\$ 55,292,273</u>	<u>100.00 %</u>	<u>\$ 55,037,710</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 \$31,860,923. Approximately 18.2 percent of this total amount (\$5,784,803) 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 (\$103,562), 2) restricted for street improvements (\$8,946,624), 3) restricted for public safety (\$1,553,422), 4) restricted for infrastructure (\$4,316,929), 5) restricted for property tax relief (\$467,870), 6) restricted for economic development (\$4,814,055), 7) restricted for a variety of capital/special projects (\$1,964,782), 8) restricted for Federal programs (\$32,352), 9) restricted for community betterment (\$787,207), 10) restricted for community development block grant (\$422,894), 11) committed for code enforcement/defense (\$1,307,772), 12) assigned for downtown improvement projects (\$14,135),

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2013

13) assigned for the airport (\$74,994), 14) endowed as non-spendable principal (\$125,000), 15) non-spendable prepaid expense (\$35,117) or 16) non-spendable notes receivable (\$1,109,405)

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 \$6,269,943. 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 45.6 percent of total General Fund expenditures.

The fund balance of the City of Fremont's General Fund increased by \$1,742,672 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 reductions in salaries and benefit costs due to the timing of backfilled positions.

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 position of the *proprietary funds* at the end of the year were as follows: Electric Fund - \$20,234,640, Water Fund - \$1,490,381, Sewer Fund - \$3,727,310, Gas Fund - \$6,974,960 and Waste Transfer Fund - \$698,063. The change in net position for the proprietary funds was as follows: Electric Fund - \$3,093,037, Water Fund - \$812,755, Sewer Fund - \$358,502, Gas Fund - \$445,173 and Waste Transfer Fund - \$159,444. The increase in the Electric Fund was attributable to a November 2012 six 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, 2013, amounts to \$156,981,588 (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:

- Extend runway 14/32 with parallel taxiway - \$3,913,036
- Water system improvements - \$2,155,742
- Electric distribution system improvements - \$1,448,586
- Sewer system improvements - \$838,710
- 2013 Osage ambulance - \$235,309

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

- Unit 8 environmental upgrade - \$1,692,224
- Bell Street widening, Cuming to 14th - \$580,618
- 32nd Street 69kV relocation - \$556,814
- Dispatch radio console - \$412,685
- Main Street paving improvements, 1st to 3rd - \$203,732
- Unit 6, 7, & 8 fire suppression system - \$201,591

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

	Year Ended September 30, 2013			Year Ended September 30, 2012		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 7,935,652	\$ 4,237,456	\$ 12,173,108	\$ 7,785,008	\$ 4,237,456	\$ 12,022,464
Construction in Progress	3,625,692	3,345,499	6,971,191	5,908,704	2,637,096	8,545,800
Infrastructure	16,727,997	-	16,727,997	13,040,392	-	13,040,392
Buildings and Improvements	9,518,687	-	9,518,687	9,421,104	-	9,421,104
Machinery and Equipment	2,605,794	4,497,139	7,102,933	2,347,632	4,854,698	7,202,330
Distribution Systems, Buildings, and Equipment	-	103,988,367	103,988,367	-	104,086,008	104,086,008
Office Furniture and Equipment	-	370,690	370,690	-	288,292	288,292
Vehicles	-	128,615	128,615	-	120,507	120,507
Total	\$ 40,413,822	\$ 116,567,766	\$ 156,981,588	\$ 38,502,840	\$ 116,224,057	\$ 154,726,897

Additional information on the City of Fremont's capital assets can be found in Note C4 on pages 41 - 43 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 \$44,424,500.

City of Fremont's Outstanding Debt

	Year Ended September 30, 2013			Year Ended September 30, 2012		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
General Obligation Bonds	\$ 3,740,000	\$ -	\$ 3,740,000	\$ 3,955,000	\$ -	\$ 3,955,000
Revenue Bonds	-	40,515,000	40,515,000	-	32,115,000	32,115,000
Notes Payable	96,250	73,250	169,500	117,250	311,500	428,750
Capital leases payable	-	-	-	3,894	4,760	8,654
Total	\$ 3,836,250	\$ 40,588,250	\$ 44,424,500	\$ 4,076,144	\$ 32,431,260	\$ 36,507,404

The City of Fremont's total debt increased by \$7,917,096 (21.7 percent). The City issued a combined utilities revenue bond of \$9.98 million to fund the beginning of the air quality emissions equipment project 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 44 - 46 of this report.

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2013

Economic Factors and Next Year's Budgets and Rates

- The City Council approved a two-year budget in the first year this process was made available by Nebraska Statutes.
- Property tax assessment for the year ending September 30, 2014 is \$5,278,424, which is 8.0 percent higher than the assessment for the year ended September 30, 2013, due primarily to the City Council increasing the property tax request by \$375,000 to \$750,000 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 \$1,307,772 at September 30, 2013 for this purpose.
- Property tax assessment for the year ending September 30, 2015 is \$5,336,446, which is 1.0 percent higher than the assessment for the year ended September 30, 2014, due primarily to an estimation of a one percent increase in the property tax valuation. The City maintained the property tax request of \$750,000 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. There was no other change in the property tax rate.
- In 2013, the City Council enacted a new occupation tax on licensed garbage haulers in the City. The tipping fees at the Waste Transfer station were reduced for this customer class to eliminate additional costs for the haulers. This tax, in addition to increased enforcement efforts resulted in the waste transfer station operating at a surplus. In 2014, this activity will be transferred from an enterprise fund to a governmental fund in the City's financial statements.
- 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 a fund of the City, with contributions from the County to fund capital improvements and operations. The merger was complete August 2013, and a significant portion of the capital improvements are complete, so ongoing contributions will be predominantly for operations.
- The City has budgeted and expects to make significant expenditures for the following capital projects during the next two fiscal years, (expenditures for capital projects will be dependent upon actual revenues remaining within budgeted levels):
 - Emissions control improvements to electric system - \$45,820,000
budgeted to be funded by the \$9,980,000 bonds already issued and
an additional \$30,000,000 bond issue expected in late 2014.
 - Precipitator rebuild at the electric plant - \$3,500,000
 - Broad Street improvements (5th to 10th) - \$1,100,000
 - West Military widening and drainage - \$1,484,000
 - Various citywide paving and resurfacing projects - \$1,713,000
 - 1st Street construction – Luther to Johnson Rd - \$1,567,000
 - Trails projects- \$1,188,000
 - Odor control project at waste water treatment plant - \$1,000,000
 - Upgrade and enlarge UV system at waste water treatment plant -
\$1,200,000
 - Oversize water mains for developments - \$750,000.

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2013

- The City Council approved a six percent increase in rates for the Electric Fund effective November 2013, with another six percent increase going into effect November 2014. An increase in Sewer Fund rates effective November 2013 is expected to generate an additional \$450,000 in revenue. An increase in Water Fund rates effective November 2014 is expected to generate an additional \$250,000 in revenue in the 2015 fiscal year.

All of these factors were considered in preparing the City of Fremont's budget for the 2014 and 2015 fiscal years.

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 POSITION

SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 22,766,511	\$ 16,996,747	\$ 39,763,258
Investments	11,145,680	16,075,316	27,220,996
County treasurer cash	173,953	-	173,953
Receivables:			
Special assessments	654,225	-	654,225
Accounts, net of allowance for doubtful accounts	408,905	2,573,769	2,982,674
Unbilled revenue	128,094	3,033,640	3,161,734
Interest	58,833	116,943	175,776
Property tax	290,276	-	290,276
Other tax	246,449	-	246,449
Receivable/payable to other funds	(43,923)	43,923	-
Due from other governments	1,285,485	339,450	1,624,935
Inventory	-	8,790,760	8,790,760
Prepaid expenses	35,117	172,969	208,086
Total current assets	37,149,605	48,143,517	85,293,122
Noncurrent assets:			
Restricted cash and cash equivalents	-	9,580,389	9,580,389
Restricted investments	-	5,198,484	5,198,484
TIF notes receivable	1,012,315	-	1,012,315
Notes receivable, net of allowance	1,518,578	-	1,518,578
Unamortized bond discount	6,924	175,223	182,147
Unamortized bond insurance	-	116,620	116,620
Capital assets:			
Land	7,935,652	4,237,456	12,173,108
Construction in progress	3,625,692	3,345,499	6,971,191
Other capital assets, net of depreciation	28,852,478	108,984,811	137,837,289
Net capital assets	40,413,822	116,567,766	156,981,588
Total noncurrent assets	42,951,639	131,638,482	174,473,502
Total assets	80,101,244	179,781,999	259,766,624
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows of resources	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable	941,275	2,718,260	3,659,535
Claims liability	377,107	2,460	379,567
Accrued expenses	842,079	1,368,942	2,211,021
Due to other governments	606,967	-	606,967
Advanced revenue	310	-	310
Unearned revenues	6,000	318,253	324,253
Customer deposits	-	442,046	442,046
Current portion of long-term obligations	246,000	2,143,250	2,389,250
Total current liabilities	3,019,738	6,993,211	10,012,949
Noncurrent liabilities:			
TIF notes payable	760,108	-	760,108
Compensated absences	348,239	697,833	1,046,072
Unamortized bond premium	-	589,576	589,576
Fly ash liability/closure costs payable	-	266,584	266,584
Noncurrent portion of long-term obligations	3,590,250	38,445,000	42,035,250
Total noncurrent liabilities	4,698,597	39,998,993	44,697,590
Total liabilities	7,718,335	46,992,204	54,710,539
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources	-	-	-
NET POSITION			
Net investment in capital assets	36,577,572	84,885,568	121,463,140
Restricted for:			
Debt service	103,562	5,372,821	5,476,383
Fly ash disposal	-	500,000	500,000
Street improvements	8,981,960	-	8,981,960
Federal grant programs	1,182,415	-	1,182,415
Other purposes	15,357,614	8,906,052	24,263,666
Unrestricted	10,179,786	33,125,354	43,305,140
Total net position	\$ 72,382,909	\$ 132,789,795	\$ 205,172,704

See notes to financial statements.

CITY OF FREMONT, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
General government	\$ 3,395,577	\$ 204,234	\$ 499,222
Public safety	7,349,224	1,137,892	417,894
Public works	3,225,535	340,780	56,878
Environment and leisure	3,248,244	596,513	92,338
Non-departmental	164,650	-	-
Interest on long-term debt	88,685	-	-
Depreciation and amortization	1,713,340	-	-
Total governmental activities	<u>19,185,255</u>	<u>2,279,419</u>	<u>1,066,332</u>
Business-type activities:			
Electric	28,525,971	33,599,409	141,456
Water	2,618,695	3,226,852	-
Sewer	3,891,690	4,112,739	-
Gas	13,956,256	15,369,974	-
Waste transfer	1,430,750	1,123,383	-
Total business-type activities	<u>50,423,362</u>	<u>57,432,357</u>	<u>141,456</u>
Total primary government	<u><u>\$ 69,608,617</u></u>	<u><u>\$ 59,711,776</u></u>	<u><u>\$ 1,207,788</u></u>

See notes to financial statements

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (2,692,121)		\$ (2,692,121)
-	(5,793,438)		(5,793,438)
-	(2,827,877)		(2,827,877)
66,426	(2,492,967)		(2,492,967)
-	(164,650)		(164,650)
-	(88,685)		(88,685)
-	(1,713,340)		(1,713,340)
<u>66,426</u>	<u>(15,773,078)</u>		<u>(15,773,078)</u>
366	-	\$ 5,215,260	5,215,260
6,908	-	615,065	615,065
169,394	-	390,443	390,443
1,366	-	1,415,084	1,415,084
-	-	(307,367)	(307,367)
<u>178,034</u>	<u>-</u>	<u>7,328,485</u>	<u>7,328,485</u>
<u>\$ 244,460</u>	<u>(15,773,078)</u>	<u>7,328,485</u>	<u>(8,444,593)</u>
General revenues:			
Taxes:			
Property	4,853,929	-	4,853,929
Motor vehicle	451,668	-	451,668
TIF payments	254,511	-	254,511
Sales tax	5,681,535	-	5,681,535
Payments in lieu of taxes	10,807	-	10,807
Franchise	266,951	-	266,951
Other taxes	1,107,658	-	1,107,658
State allocation	2,858,458	-	2,858,458
Keno	535,654	-	535,654
Special assessments	390,443	-	390,443
Miscellaneous	57,220	-	57,220
Interest income	124,179	188,912	313,091
Loss on sale of assets	(17,903)	(203,062)	(220,965)
Transfer (to) from other funds	2,445,424	(2,445,424)	-
Total general revenues	<u>19,020,534</u>	<u>(2,459,574)</u>	<u>16,560,960</u>
Change in net position	<u>3,247,456</u>	<u>4,868,911</u>	<u>8,116,367</u>
Net position - September 30, 2012, as originally reported	68,783,616	128,683,264	197,466,880
Restatement	<u>351,837</u>	<u>(762,380)</u>	<u>(410,543)</u>
Net position - September 30, 2012, as restated	<u>69,135,453</u>	<u>127,920,884</u>	<u>197,056,337</u>
Net position - September 30, 2013	<u>\$ 72,382,909</u>	<u>\$ 132,789,795</u>	<u>\$ 205,172,704</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<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	\$ 7,734,128	\$ 1,393,163	\$ 9,247,565	\$ 3,563,644	\$ 21,938,500
Investments	20,680	2,750,000	5,250,000	925,000	8,945,680
County treasurer cash	131,461	35,606	-	6,886	173,953
Receivables:					
Special assessments	27,428	21,061	-	605,736	654,225
Accounts, net of allowance for doubtful accounts	341,572	4,898	-	58,293	404,763
Notes receivable, net of allowance for doubtful accounts	14,959	-	235,330	1,268,289	1,518,578
Interest	78	13,227	16,947	27,113	57,365
Property tax	282,831	-	-	7,445	290,276
Business tax	93,045	-	-	35,049	128,094
Other tax	-	246,449	-	-	246,449
TIF bonds receivable	-	-	-	1,012,315	1,012,315
Due from other governments	41,027	1,790	959,210	283,458	1,285,485
Due from other funds	486,363	195,390	144,658	183,217	1,009,628
Prepaid expenses	35,117	-	-	-	35,117
Total assets	<u>\$ 9,208,689</u>	<u>\$ 4,661,584</u>	<u>\$ 15,853,710</u>	<u>\$ 7,976,445</u>	<u>\$ 37,700,428</u>
LIABILITIES					
Accounts payable	\$ 201,905	\$ 261,042	\$ 46,321	\$ 429,092	\$ 938,360
Accrued expenses	683,765	105,820	-	52,494	842,079
Due to other governments	474	-	-	606,493	606,967
Due to other funds	210,054	6,677	224,846	611,974	1,053,551
TIF bond payable	-	-	-	760,108	760,108
Advanced revenue	-	-	-	310	310
Unearned revenue	-	-	-	6,000	6,000
Total liabilities	<u>1,096,198</u>	<u>373,539</u>	<u>271,167</u>	<u>2,466,471</u>	<u>4,207,375</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	241,736	-	-	5,299	247,035
Unavailable revenue - other local taxes	27,428	21,061	-	490,578	539,067
Unavailable revenue - fees and other	215,536	14,275	-	222,313	452,124
Unavailable revenue - notes	-	-	-	393,904	393,904
Total deferred inflows	<u>484,700</u>	<u>35,336</u>	<u>-</u>	<u>1,112,094</u>	<u>1,632,130</u>
FUND BALANCES (DEFICIT)					
Nonspendable:					
Permanent fund principal	-	-	-	125,000	125,000
Prepaid expenses	35,117	-	-	-	35,117
Notes receivable	14,959	-	252,277	842,169	1,109,405
Restricted for:					
Debt service	-	-	-	103,562	103,562
Street improvements	-	4,252,709	4,693,915	-	8,946,624
Public safety	-	-	1,327,238	226,184	1,553,422
Infrastructure	-	-	4,316,929	-	4,316,929
Property tax relief	-	-	467,870	-	467,870
Economic development	-	-	4,524,314	289,741	4,814,055
Capital/special projects	-	-	-	1,964,782	1,964,782
Federal programs	-	-	-	32,352	32,352
Community betterment	-	-	-	787,207	787,207
Community development block grant	-	-	-	422,894	422,894
Committed for:					
Code enforcement/defense	1,307,772	-	-	-	1,307,772
Assigned for:					
Budget stabilization	-	-	-	-	-
Other	-	-	-	89,129	89,129
Unassigned	6,269,943	-	-	(485,140)	5,784,803
Total fund balances	<u>7,627,791</u>	<u>4,252,709</u>	<u>15,582,543</u>	<u>4,397,880</u>	<u>31,860,923</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,208,689</u>	<u>\$ 4,661,584</u>	<u>\$ 15,853,710</u>	<u>\$ 7,976,445</u>	<u>\$ 37,700,428</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total fund balances - governmental funds \$ 31,860,923

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$60,328,248, and the accumulated depreciation is \$19,914,426. 40,413,822

Unamortized bond discounts are not financial resources and, therefore, are not reported as assets in governmental funds. 6,924

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 2,653,599

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are deferred 1,632,130

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Compensated absences	\$	(348,239)	
Bonds and notes payable		<u>(3,836,250)</u>	<u>(4,184,489)</u>

Total net position - governmental activities \$ 72,382,909

CITY OF FREMONT, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 4,544,478	\$ -	\$ -	\$ 239,700	\$ 4,784,178
Motor vehicle	-	451,668	-	-	451,668
TIF payments	-	-	-	254,511	254,511
Sales tax	-	-	5,681,535	-	5,681,535
Payments in lieu of taxes	10,274	-	-	533	10,807
Franchise	266,951	-	-	-	266,951
Business	953,193	-	-	154,465	1,107,658
Intergovernmental	527,949	2,379,099	-	1,458,478	4,365,526
Keno	-	-	-	535,654	535,654
Charges for services	1,432,122	44,727	47,908	285,992	1,810,749
Donations	14,264	-	-	78,083	92,347
Interest income	10,068	29,368	40,749	31,576	111,761
Other income	25,921	2,427	-	14,716	43,064
Total revenues	<u>7,785,220</u>	<u>2,907,289</u>	<u>5,770,192</u>	<u>3,053,708</u>	<u>19,516,409</u>
EXPENDITURES					
General government	2,454,898	-	10,346	1,206,810	3,672,054
Public safety	7,132,478	-	-	1,425,267	8,557,745
Public works	456,453	3,864,070	-	387,959	4,708,482
Environment and leisure	3,553,535	-	-	453,926	4,007,461
Employee insurance	164,650	-	-	-	164,650
Principal payments on debt	-	-	-	236,000	236,000
Interest on long-term debt	-	-	-	88,685	88,685
Total expenditures	<u>13,762,014</u>	<u>3,864,070</u>	<u>10,346</u>	<u>3,798,647</u>	<u>21,435,077</u>
Excess (deficiency) of revenues over expenditures	<u>(5,976,794)</u>	<u>(956,781)</u>	<u>5,759,846</u>	<u>(744,939)</u>	<u>(1,918,668)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,528,435	1,189,460	-	609,749	10,327,644
Transfers out	(808,969)	-	(5,900,493)	(1,172,758)	(7,882,220)
Net other sources and uses	<u>7,719,466</u>	<u>1,189,460</u>	<u>(5,900,493)</u>	<u>(563,009)</u>	<u>2,445,424</u>
Net change in fund balances	<u>1,742,672</u>	<u>232,679</u>	<u>(140,647)</u>	<u>(1,307,948)</u>	<u>526,756</u>
Fund balances - September 30, 2012, as originally reported	6,182,007	4,037,465	15,268,853	5,753,644	31,241,969
Restatement of fund balances	(296,888)	(17,435)	454,337	(47,816)	92,198
Fund balances - September 30, 2012, as restated	<u>5,885,119</u>	<u>4,020,030</u>	<u>15,723,190</u>	<u>5,705,828</u>	<u>31,334,167</u>
Fund balances - September 30, 2013	<u>\$ 7,627,791</u>	<u>\$ 4,252,709</u>	<u>\$ 15,582,543</u>	<u>\$ 4,397,880</u>	<u>\$ 31,860,923</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, 2013

Total net change in fund balances - governmental funds	\$	526,756
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 (\$3,670,065) and capital lease principal payments (\$3,894) exceed depreciation expense (\$1,712,800) and disposal of capital assets (\$46,283) in the period.		
		1,914,876
Bond fees are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the lives of the related bonds as amortization expense. This is the amount by which capitalized bond fees (\$0) are exceeded by amortization expense (\$540) in the period.		
		(540)
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.		
		128,436
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 position.		
		(3,591)
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.		
		(12,914)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		458,433
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		236,000
Change in net position of governmental activities	\$	<u>3,247,456</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Enterprise Funds					Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund	Waste Transfer Fund		
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 11,453,039	\$ 812,025	\$ 2,217,068	\$ 2,199,316	\$ 315,299	\$ 16,996,747	\$ 828,011
Investments	11,562,944	-	1,213,572	2,948,800	350,000	16,075,316	2,200,000
Receivables:							
Accounts, net of allowance for doubtful accounts	1,778,481	280,494	141,125	216,624	157,045	2,573,769	4,142
Unbilled revenue	1,958,375	229,401	303,271	542,593	-	3,033,640	-
Due from other funds	39,987	8,800	1,039	1,302	1,857	52,985	-
Due from other governments	339,450	-	-	-	-	339,450	-
Interest	91,252	1,683	8,269	12,540	3,199	116,943	1,468
Inventory	6,563,150	320,530	135,089	1,771,991	-	8,790,760	-
Prepaid expenses	97,253	18,340	18,341	39,035	-	172,969	-
Total current assets	<u>33,883,931</u>	<u>1,671,273</u>	<u>4,037,774</u>	<u>7,732,201</u>	<u>827,400</u>	<u>48,152,579</u>	<u>3,033,621</u>
Noncurrent assets:							
Restricted cash and cash equivalents	8,906,052	674,337	-	-	-	9,580,389	-
Restricted investments	4,385,856	375,000	386,428	51,200	-	5,198,484	-
Unamortized bond discount	149,379	12,755	10,779	2,310	-	175,223	-
Unamortized bond insurance	79,123	19,670	14,995	2,832	-	116,620	-
Capital assets:							
Land	2,086,695	1,890,618	143,803	116,340	-	4,237,456	-
Construction in progress	3,241,354	26,876	1,802	75,467	-	3,345,499	-
Depreciable capital assets	136,114,513	37,894,061	48,407,220	14,954,746	7,326	237,377,866	-
Less accumulated depreciation	<u>(84,198,889)</u>	<u>(13,672,929)</u>	<u>(20,909,242)</u>	<u>(9,604,669)</u>	<u>(7,326)</u>	<u>(128,393,055)</u>	<u>-</u>
Total noncurrent assets	<u>70,764,083</u>	<u>27,220,388</u>	<u>28,055,785</u>	<u>5,598,226</u>	<u>-</u>	<u>131,638,482</u>	<u>-</u>
Total assets	<u>104,648,014</u>	<u>28,891,661</u>	<u>32,093,559</u>	<u>13,330,427</u>	<u>827,400</u>	<u>179,791,061</u>	<u>3,033,621</u>
DEFERRED OUTFLOWS OF RESOURCES							
Total deferred outflows of resources	-	-	-	-	-	-	-
LIABILITIES							
Current liabilities:							
Accounts payable	1,846,116	27,838	190,109	528,614	125,583	2,718,260	2,915
Due to other funds	3,393	5,226	443	-	-	9,062	-
Accrued payroll and vacation	641,125	36,312	78,270	96,347	3,753	855,807	-
Sales tax payable	205,763	20	-	139	1	205,923	-
Accrued interest payable	252,613	44,769	8,840	990	-	307,212	-
Unearned revenue	318,253	-	-	-	-	318,253	-
Customer deposits	441,546	500	-	-	-	442,046	-
Claims liability	2,460	-	-	-	-	2,460	377,107
Current portion of long-term obligations	1,310,075	538,706	259,806	34,663	-	2,143,250	-
Total current liabilities	<u>5,021,344</u>	<u>653,371</u>	<u>537,468</u>	<u>660,753</u>	<u>129,337</u>	<u>7,002,273</u>	<u>380,022</u>
Noncurrent liabilities:							
Fly ash liability	266,584	-	-	-	-	266,584	-
Compensated absences	463,270	39,694	58,576	136,293	-	697,833	-
Unamortized bond premium	530,618	58,958	-	-	-	589,576	-
Noncurrent portion of long-term obligations	27,866,206	7,495,568	2,657,935	425,291	-	38,445,000	-
Total noncurrent liabilities	<u>29,126,678</u>	<u>7,594,220</u>	<u>2,716,511</u>	<u>561,584</u>	<u>-</u>	<u>39,998,993</u>	<u>-</u>
Total liabilities	<u>34,148,022</u>	<u>8,247,591</u>	<u>3,253,979</u>	<u>1,222,337</u>	<u>129,337</u>	<u>47,001,266</u>	<u>380,022</u>
DEFERRED INFLOWS OF RESOURCES							
Total deferred inflows of resources	-	-	-	-	-	-	-
NET POSITION							
Net investment in capital assets	36,973,444	18,104,352	24,725,842	5,081,930	-	84,885,568	-
Restricted for:							
Construction	8,906,052	-	-	-	-	8,906,052	-
Debt service	3,885,856	1,049,337	386,428	51,200	-	5,372,821	-
Fly ash disposal	500,000	-	-	-	-	500,000	-
Unrestricted	20,234,640	1,490,381	3,727,310	6,974,960	698,063	33,125,354	2,653,599
Total net position	<u>\$ 70,499,992</u>	<u>\$ 20,644,070</u>	<u>\$ 28,839,580</u>	<u>\$ 12,108,090</u>	<u>\$ 698,063</u>	<u>\$ 132,789,795</u>	<u>\$ 2,653,599</u>

See notes to financial statements.

CITY OF FREMONT, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Funds					Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund	Waste Transfer Fund		
Operating revenues:							
Charges for services	\$ 33,472,198	\$ 3,090,195	\$ 4,059,614	\$ 15,369,974	\$ 1,123,383	\$ 57,115,364	4,304,881
Contributions from other funds						-	1,347,349
Other revenue	127,211	136,657	53,125	-	-	316,993	-
Total operating revenues	<u>33,599,409</u>	<u>3,226,852</u>	<u>4,112,739</u>	<u>15,369,974</u>	<u>1,123,383</u>	<u>57,432,357</u>	<u>5,652,230</u>
Operating expenses:							
Cost of power/gas	1,515,236	-	-	11,356,595	-	12,871,831	-
Production	19,375,686	385,144	1,687,287	-	-	21,448,117	-
Distribution	2,539,791	632,918	356,815	1,216,795	1,430,638	6,176,957	-
Customer accounting and collections	1,453,153	442,365	464,242	897,755	(80)	3,257,435	-
Administrative and general	188,233	894	307	(8,441)	-	180,993	3,408
Payments in lieu of taxes	-	-	-	-	-	-	-
Employee insurance	-	-	-	-	-	-	5,017,226
Workers' compensation	-	-	-	-	-	-	514,049
Depreciation	2,955,877	884,357	1,277,733	480,313	192	5,598,472	-
Amortization	6,274	1,018	1,330	227	-	8,849	-
Total operating expenses	<u>28,034,250</u>	<u>2,346,696</u>	<u>3,787,714</u>	<u>13,943,244</u>	<u>1,430,750</u>	<u>49,542,654</u>	<u>5,534,683</u>
Operating income (loss)	<u>5,565,159</u>	<u>880,156</u>	<u>325,025</u>	<u>1,426,730</u>	<u>(307,367)</u>	<u>7,889,703</u>	<u>117,547</u>
Nonoperating revenues (expenses):							
Interest income	145,991	3,648	13,128	23,281	2,864	188,912	10,889
Interest expense	(491,721)	(271,999)	(103,976)	(13,012)	-	(880,708)	-
Gain (loss) on sale of assets	(162,104)	(12,708)	(8,408)	(19,842)	-	(203,062)	-
Grant revenue	141,456	3,173	-	-	-	144,629	-
Contributed capital	366	3,735	169,394	1,366	-	174,861	-
Total nonoperating revenues (expenses)	<u>(366,012)</u>	<u>(274,151)</u>	<u>70,138</u>	<u>(8,207)</u>	<u>2,864</u>	<u>(575,368)</u>	<u>10,889</u>
Income (loss) before interfund transfers	<u>5,199,147</u>	<u>606,005</u>	<u>395,163</u>	<u>1,418,523</u>	<u>(304,503)</u>	<u>7,314,335</u>	<u>128,436</u>
Interfund transfers:							
Transfer from other funds	291,490	217,925	124,514	-	463,947	1,097,876	-
Transfer to other funds	(2,397,600)	(11,175)	(161,175)	(973,350)	-	(3,543,300)	-
Net transfers	<u>(2,106,110)</u>	<u>206,750</u>	<u>(36,661)</u>	<u>(973,350)</u>	<u>463,947</u>	<u>(2,445,424)</u>	<u>-</u>
Change in net position	<u>3,093,037</u>	<u>812,755</u>	<u>358,502</u>	<u>445,173</u>	<u>159,444</u>	<u>4,868,911</u>	<u>128,436</u>
Net position - September 30, 2012 as originally reported	67,835,943	20,064,077	28,567,730	11,676,895	538,619	128,683,264	2,525,163
Restatement	(428,988)	(232,762)	(86,652)	(13,978)		(762,380)	
Net position - September 30, 2012 as restated	<u>67,406,955</u>	<u>19,831,315</u>	<u>28,481,078</u>	<u>11,662,917</u>	<u>538,619</u>	<u>127,920,884</u>	<u>2,525,163</u>
Net position - September 30, 2013	<u>\$ 70,499,992</u>	<u>\$ 20,644,070</u>	<u>\$ 28,839,580</u>	<u>\$ 12,108,090</u>	<u>\$ 698,063</u>	<u>\$ 132,789,795</u>	<u>\$ 2,653,599</u>

See notes to financial statements.

CITY OF FREMONT, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Funds	
	Electric <u>Fund</u>	Water <u>Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 5,565,159	\$ 880,156
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,955,877	884,357
Amortization expense	6,274	1,018
Change in assets and liabilities:		
Accounts receivable and unbilled revenue	(108,973)	(9,127)
Inventories	91,538	36,085
Prepaid expenses	(1,139)	(830)
Accounts payable	357,467	(199,537)
Accrued payroll and vacation	65,905	7,054
Accrued compensated absences	(5,842)	2,667
Other accrued expenses	15,172	4
Customer deposits	375,499	-
Claims liability	1,048	-
Net cash provided (used) by operating activities	<u>\$ 9,317,985</u>	<u>\$ 1,601,847</u>

See notes to financial statements

Enterprise Funds					Internal Service Fund
Sewer Fund	Gas Fund	Waste Transfer Fund	Total		Fund
\$ 325,025	\$ 1,426,730	\$ (307,367)	\$ 7,889,703		\$ 117,547
1,277,733	480,313	192	5,598,472		-
1,330	227	-	8,849		-
85,106	7,580	(81,105)	(106,519)		4,044
10,141	208,605	-	346,369		-
(831)	(1,696)	-	(4,496)		-
(3,501)	98,857	24,491	277,777		2,915
(840)	7,383	(1,692)	77,810		-
(20,039)	(751)	-	(23,965)		-
-	(104)	(46)	15,026		(132,432)
-	-	-	375,499		-
-	-	-	1,048		-
<u>\$ 1,674,124</u>	<u>\$ 2,227,144</u>	<u>\$ (365,527)</u>	<u>\$ 14,455,573</u>		<u>\$ (7,926)</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Funds	
	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 33,866,984	\$ 3,217,725
Receipts from other funds	-	-
Payments to suppliers	(16,351,447)	(686,926)
Payments to employees	(8,197,552)	(928,952)
Net cash provided (used) by operating activities	<u>9,317,985</u>	<u>1,601,847</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	291,490	217,925
Transfers to other funds	(2,397,600)	(11,175)
Interfund loans	787,277	(4,225)
Net cash provided (used) by noncapital financing activities	<u>(1,318,833)</u>	<u>202,525</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of property and equipment	(4,640,098)	(553,399)
Proceeds from capital grant	7,912	3,173
Proceeds from issuance of capital debt, (net of issuance costs)	9,924,093	-
Principal payments on capital debt	(827,609)	(699,518)
Interest paid on capital debt	(612,152)	(294,059)
Increase in fly ash liability	24,587	-
Net cash provided (used) by capital and related financing activities	<u>3,876,733</u>	<u>(1,543,803)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in investments	(746,000)	-
Interest received on investments	119,412	3,180
Net cash provided (used) by investing activities	<u>(626,588)</u>	<u>3,180</u>
Increase (decrease) in cash and cash equivalents	11,249,297	263,749
Cash and cash equivalents - beginning of the year	<u>9,109,794</u>	<u>1,222,613</u>
Cash and cash equivalents - end of the year	<u>\$ 20,359,091</u>	<u>\$ 1,486,362</u>
Composition of cash and cash equivalents:		
Cash and cash equivalents	\$ 11,453,039	\$ 812,025
Restricted cash and cash equivalents	8,906,052	674,337
Total cash and cash equivalents	<u>\$ 20,359,091</u>	<u>\$ 1,486,362</u>

See notes to financial statements

Enterprise Funds				Internal Service Fund
Sewer Fund	Gas Fund	Waste Transfer Fund	Total	
\$ 4,197,845	\$ 15,377,554	\$ 1,042,278	\$ 57,702,386	\$ -
-	-	-	-	5,656,275
(1,097,874)	(11,405,306)	(1,311,830)	(30,853,383)	(5,664,201)
(1,425,847)	(1,745,104)	(95,975)	(12,393,430)	-
<u>1,674,124</u>	<u>2,227,144</u>	<u>(365,527)</u>	<u>14,455,573</u>	<u>(7,926)</u>
124,514	-	463,947	1,097,876	-
(161,175)	(973,350)	-	(3,543,300)	-
(786,389)	(2,589)	873	(5,053)	-
<u>(823,050)</u>	<u>(975,939)</u>	<u>464,820</u>	<u>(2,450,477)</u>	<u>-</u>
(487,893)	(288,990)	-	(5,970,380)	-
-	-	-	11,085	-
-	-	-	9,924,093	-
(261,887)	(33,996)	-	(1,823,010)	-
(109,237)	(12,851)	-	(1,028,299)	-
-	-	-	24,587	-
<u>(859,017)</u>	<u>(335,837)</u>	<u>-</u>	<u>1,138,076</u>	<u>-</u>
-	-	-	(746,000)	(750,000)
9,307	18,483	63	150,445	10,453
<u>9,307</u>	<u>18,483</u>	<u>63</u>	<u>(595,555)</u>	<u>(739,547)</u>
1,364	933,851	99,356	12,547,617	(747,473)
<u>2,215,704</u>	<u>1,265,465</u>	<u>215,943</u>	<u>14,029,519</u>	<u>1,575,484</u>
<u>\$ 2,217,068</u>	<u>\$ 2,199,316</u>	<u>\$ 315,299</u>	<u>\$ 26,577,136</u>	<u>\$ 828,011</u>
\$ 2,217,068	\$ 2,199,316	\$ 315,299	\$ 16,996,747	\$ 828,011
-	-	-	9,580,389	-
<u>\$ 2,217,068</u>	<u>\$ 2,199,316</u>	<u>\$ 315,299</u>	<u>\$ 26,577,136</u>	<u>\$ 828,011</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
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CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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.

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.

These financial statements present the financial statements of the City as the primary government. In determining its reporting entity, the City has considered all potential component units for which it is financially accountable, including other organizations which are fiscally dependent on the City, or the significance of their relationship with the City are such that exclusion would make the financial statements misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability, which was used in making this evaluation. The City has no potential component units to include in its reporting entity.

2. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position 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. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column and the remaining funds are aggregated and reported as other governmental or proprietary funds.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Basis of Presentation, Continued

The City reports the following fund types:

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).

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.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Basis of Presentation, Continued

Major and Non-major Funds

The City reports the following major and non-major funds:

<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>	
Governmental:	
Debt Service	See above for description.
Capital Projects	See above for description.
Special Revenue:	
Municipal Transit	Accounts for Federal and State grant funds used for bus service.
Paving and Sidewalk Districts	Accounts for the collection of special assessments on various paving and sidewalk districts.
Park Special Projects	Accounts for park fees and charges to be used for park special projects.
Downtown Improvement District	Accounts for improvements and maintenance of downtown business area using occupation taxes.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

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>	
Governmental, continued:	
Special Revenue, continued:	
Public Use Property Special Projects	Accounts for donations for public use property special projects.
On-Street Parking	Accounts for improvements and maintenance of on-street parking area using parking fees.
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.
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.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

3. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The City considers revenues are available if they are collected within sixty days of the end of the fiscal period. Property taxes, sales taxes, franchise taxes, licenses, and interested associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

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

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance, Continued

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.

Due from Other Governments

The total due from other governments includes the following amounts:

<u>Fund</u>	<u>Amount</u>	<u>Service</u>
General	\$ 41,027	SRO reimbursement/ Grant reimbursement/ Library Commission payments
Street	1,790	Grant reimbursement/ Motor Vehicle/Gas Tax
Sales tax	959,210	Sales Tax
Municipal transit	12,219	Operating grant from the State
CDBG Fund	40,575	Grant reimbursement
Drug Task Force	4,244	Grant reimbursement
Wireless 911	195,920	Grant reimbursement
Special Projects	30,500	Grant reimbursement
Electric fund	<u>339,450</u>	Capital grant reimbursement, FEMA
Total	<u>\$1,624,935</u>	

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance, Continued

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.

Government-wide Statements

In the government-wide financial statements, capital assets are capitalized and reported on the Statement of Net Position. 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 Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The ranges of estimated useful lives by type of asset are as follows:

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

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

Fund Financial Statements

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

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance, Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The City has two items that qualify for reporting in this category: (1) Unavailable revenue received after the availability period. This includes property taxes plus other local taxes and fees received after 60 days. They are reported as deferred inflows on the governmental funds balance sheet and will be recognized as revenue next year. (2) Unavailable revenue relating to loans.

Compensated Absences

Accumulated vacation leave related to the City's governmental funds is recorded as an expenditure and a fund liability as the amount is generally used within one year. 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 for sick leave since it is not payable from expendable available financial resources. As the paid vacation and sick leave accrue to employees paid out of the proprietary funds, an expense and a liability are recorded in those funds.

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

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 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.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. **Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance, Continued**

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

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 is reported as expenditures.

Net Position Flow Assumption

Government-wide Statements

Net position is classified and displayed in three components:

- a. Net invested in capital assets – 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 position – Consists of net position 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 position – All other net position that do not meet the definition of “restricted” or “net invested in capital assets.”

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance Flow Assumption

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.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance, Continued

Fund Balance Flow Assumption, Continued

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.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report for each category of fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 and October (which represents sales for August and September) and received by the City in October and November 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.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

5. Revenues, Expenditures, and Expenses, Continued

Property Taxes, Continued

Property taxes levied for 2012-2013 are recorded as revenue when expected to be collected within 60 days after September 30, 2013. 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 unavailable revenue on the fund balance sheets.

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, 2013

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 per participating financial institution. Any cash deposits or certificates of deposit in excess of the FDIC limits are insured by collateral held by the pledging institution in the City's name.

3. Revenue Restrictions

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

4. Debt Restrictions and Covenants

Bonds Payable

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

5. Budgetary Data

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

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

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.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

5. Budgetary Data, Continued

- e. The County Clerk certifies a preliminary property tax levy for each fund of the City which levied property taxes in the county the previous year based on the combined valuation and amount required for the City the prior year. The preliminary levy becomes the final levy unless the governing board passes, by a majority vote, a resolution setting the levy at a different amount.
- f. The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31 with the first half delinquent May 1 and the second half delinquent September 1.
- g. Appropriations lapse at the end of the fiscal year, except for capital improvement appropriations and certain encumbrances against operating budgets.
- h. The City of Fremont adopts a budget by ordinance for all fund types.

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, deferred outflows/inflows of resources, net position/fund balances, 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, 2013, the bank balance of the City's deposits and investments were fully-insured or collateralized.

Reconciliation to Government-wide Statement of Net Position:

Cash and cash equivalents –	
Unrestricted	\$ 39,763,258
Restricted	9,580,389
Investments –	
Unrestricted	27,220,996
Restricted	<u>5,198,484</u>
Total	<u>\$ 81,763,127</u>

The majority of the business-type restricted assets, \$8,906,052, relates to bond proceeds for a construction project, as well as \$5,372,821 relating to debt service reserves required by bond agreements. The remaining \$500,000 restricted investment is restricted to cover fly ash closure costs.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

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

2. Accounts Receivable

Accounts receivable of the business-type activities consists of utilities receivables. Accounts receivable of the governmental activities consist of ambulance (53.9 percent), cable franchise tax (15.5 percent), Keno proceeds (13.2 percent), general fund fees assessed (8 percent), and other (9.4 percent) receivables. Receivables detailed at September 30, 2013, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts receivable	\$ 611,538	\$ 3,112,097	\$3,723,635
Allowance for doubtful accounts	<u>(202,633)</u>	<u>(538,328)</u>	<u>(740,961)</u>
Net accounts receivable	<u>\$ 408,905</u>	<u>\$ 2,573,769</u>	<u>\$2,982,674</u>

3. Notes Receivable

Notes receivable at September 30, 2013, 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. \$ 14,959

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. 20,000

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

\$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. 65,330

Total Sales Tax Fund notes receivable 235,330

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

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

3. Notes Receivable, Continued

Economic Enhancement Fund:

\$100,000 note receivable issued October 22, 2012 to Sycamore Leaf Solutions, LLC. The performance-based loan at zero percent interest and is forgivable over the five-year life of the loan based on certain benchmarks.	\$ 100,000
\$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.	<u>15,000</u>
Total Economic Enhancement Fund notes receivable	<u>115,000</u>

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.	5,488
\$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.	100,000
\$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.	63,333
\$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.	14,286
\$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. Borrow has been in default and receivable has been reduced to expected collected amount	<u>243,013</u>
Total CDBG Fund notes receivable	<u>426,120</u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

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

3. Notes Receivable, Continued

Weatherization EDA (HUD) Fund:

<p>\$117,483 note advances issued during the year ended September 30, 2013 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>\$ 41,595</p>
<p>\$117,483 note receivables issued during the year ended September 30, 2013 to seven Fremont residents under four 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>115,395</p>
<p>\$40,540 note receivables issued during the year ended September 30, 2013 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>38,671</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>21,042</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>29,383</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>61,009</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>11,178</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>45,086</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>41,320</p>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

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

3. Accounts and Notes Receivable, Continued

Weatherization EDA (HUD) Fund, Continued:

\$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. \$ 6,543

\$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. 10,667

\$18,885 note receivable issued during the year ended September 30, 2008 to a resident of Fremont under a CDBG weatherization loan. Fifty percent of the loan is non-interest-bearing and is forgivable over a 10-year period, with the remaining 50 percent bearing interest at two percent. The repayable portion (\$9,423) is due in 120 monthly installments commencing September 1, 2007 through August 1, 2017. 7,628

\$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. 5,608

\$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. 879

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. 61,243

Downtown Revitalization Loans (Inc. in Weatherization Fund)

\$229,922 note advances issued during the year ended September 30, 2013 to eleven Fremont property owners under CDBG downtown revitalization loans. The loans will be non-interest-bearing and will be forgiven after five years if the related building improvements remain in place during that time. 229,922

Total Weatherization Fund notes receivable 727,169

Total notes receivable 1,518,578

Allowance for doubtful accounts

Net notes receivable \$ 1,518,578

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance at October 1, <u>2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2013</u>
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 7,785,008	\$ -	\$ -	\$ 150,644	\$ 7,935,652
Construction in progress	5,908,704	2,825,035	-	(5,108,047)	3,625,692
Total capital assets not being depreciated	<u>13,693,712</u>	<u>2,825,035</u>	<u>-</u>	<u>(4,957,403)</u>	<u>11,561,344</u>
Other capital assets being depreciated:					
Infrastructure	20,701,176	26,943	-	4,383,795	25,111,914
Buildings and improvements	15,789,102	221,093	-	338,298	16,348,493
Machinery and equipment	6,824,745	596,994	(328,901)	213,659	7,306,497
Total other capital assets at historical cost	<u>43,315,023</u>	<u>845,030</u>	<u>(328,901)</u>	<u>4,935,752</u>	<u>48,766,904</u>
Less accumulated depreciation for:					
Infrastructure	(7,660,783)	(723,134)	-	-	(8,383,917)
Buildings and improvements	(6,367,998)	(461,808)	-	-	(6,829,806)
Machinery and equipment	(4,477,114)	(527,858)	282,618	21,651	(4,700,703)
Total accumulated depreciation	<u>(18,505,895)</u>	<u>(1,712,800) *</u>	<u>282,618</u>	<u>21,651</u>	<u>(19,914,426)</u>
Other capital assets, net	<u>24,809,128</u>	<u>(867,770)</u>	<u>(46,283)</u>	<u>4,957,403</u>	<u>28,852,478</u>
Governmental activities capital assets, net	<u>\$38,502,840</u>	<u>\$ 1,957,265</u>	<u>\$ (46,283)</u>	<u>\$ -</u>	<u>\$ 40,413,822</u>

* Depreciation expense was incurred by the following governmental activities:

General Fund

General government	\$ 92,590
Public safety:	
Police	83,640
Fire	86,043
Civil defense	740
Protective inspections	<u>2,643</u>
Total public safety	<u>173,066</u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

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

4. Capital Assets, Continued

General Fund, Continued

Public works:	
Civil Engineering	\$ <u>190,922</u>
Environment and leisure:	
Culture and recreation	<u>536,570</u>
Total General Fund	<u>993,148</u>

<u>Street Fund</u>	<u>559,902</u>
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<u>Municipal Transit Fund</u>	
Environment and leisure	<u>8,921</u>

<u>Airport Fund</u>	
Environment and leisure	<u>141,083</u>

<u>E911 Fund</u>	
Public Safety	<u>9,746</u>

Total governmental activities depreciation expense	<u>\$ 1,712,800</u>
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CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

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

4. Capital Assets, Continued

	Balance at October 1, <u>2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2013</u>
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 4,237,456	\$ -	\$ -	\$ -	\$ 4,237,456
Construction in progress	2,637,096	708,403	-	-	3,345,499
Total capital assets not being depreciated	<u>6,874,552</u>	<u>708,403</u>	<u>-</u>	<u>-</u>	<u>7,582,955</u>
Other capital assets being depreciated:					
Distribution systems, buildings, and equipment	211,546,455	4,796,826	(96,197)	-	216,247,084
Machinery and equipment	15,564,185	211,398	(68,044)	(215,398)	15,492,141
Office furniture and equipment	1,856,973	173,603	(10,068)	-	2,020,508
Vehicles	3,301,266	88,863	(9,045)	237,049	3,618,133
Total other capital assets at historical cost	<u>232,268,879</u>	<u>5,270,690</u>	<u>(183,354)</u>	<u>21,651</u>	<u>237,377,866</u>
Less accumulated depreciation for:					
Distribution systems, buildings, and equipment	(107,460,447)	(4,882,605)	84,335	-	(112,258,717)
Machinery and equipment	(10,709,487)	(535,386)	44,916	204,955	(10,995,002)
Office furniture and equipment	(1,568,681)	(89,283)	8,146	-	(1,649,818)
Vehicles	(3,180,759)	(91,198)	9,045	(226,606)	(3,489,518)
Total accumulated depreciation	<u>(122,919,374)</u>	<u>(5,598,472) *</u>	<u>146,442</u>	<u>(21,651)</u>	<u>(128,393,055)</u>
Other capital assets, net	<u>109,349,505</u>	<u>(327,782)</u>	<u>(36,912)</u>	<u>-</u>	<u>108,984,811</u>
Business-type activities capital assets, net	<u>\$ 116,224,057</u>	<u>\$ 380,621</u>	<u>\$ (36,912)</u>	<u>\$ -</u>	<u>\$ 116,567,766</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 2,955,877
Water	884,357
Sewer	1,277,733
Gas	480,313
Waste transfer	<u>192</u>
Business-type activities depreciation expense	<u>\$ 5,598,472</u>

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

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, 2013:

<u>Type of Debt</u>	Balance at October 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance at September 30, <u>2013</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds, notes and capital leases payable	\$ 4,076,144	\$ -	\$ (239,894)	\$ 3,836,250	\$ 246,000
Business-type Activities:					
Bonds, notes and capital leases payable	\$32,431,260	\$ 9,980,000	\$ (1,823,010)	\$ 40,588,250	\$ 2,143,250

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2013 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>
2014	\$ 246,000	\$ 88,110	\$ 2,143,250	\$ 1,182,136
2015	256,000	86,648	2,160,000	1,188,480
2016	266,000	84,533	2,165,000	1,153,618
2017	276,000	81,593	2,425,000	1,111,698
2018	277,250	77,768	2,130,000	1,060,728
2019-2023	1,490,000	296,135	14,045,000	4,203,675
2024-2028	1,025,000	113,125	12,800,000	1,698,858
2029-2033	-	-	2,720,000	364,500
	<u>\$3,836,250</u>	<u>\$ 827,912</u>	<u>\$40,588,250</u>	<u>\$ 11,963,693</u>

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

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

6. Long-term Debt, Continued

Governmental Activities

As of September 30, 2013, 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. \$ 3,740,000

Non-interest-bearing note payable to Nebraska Department of Aeronautics, due in monthly installments of \$1,750 through April 2018. 96,250

Total governmental long-term debt \$ 3,836,250

Current portion \$ 246,000

Noncurrent portion 3,590,250

Total \$ 3,836,250

Business-type Activities

As of September 30, 2013, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

Combined utilities revenue bonds, with an original issue amount of \$9,980,000, issued August 30, 2013, interest rates ranging from 0.35 - 4.0 percent. Interest is due in semi-annual installments on January 15 and July 15. Principal is due in annual installments commencing July 15, 2014 through July 15, 2033. \$ 9,980,000

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. 18,650,000

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

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. \$ 2,420,000

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. 6,015,000

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. 3,450,000

Total bonds payable 40,515,000

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. 73,250

Total notes payable 73,250

Total business-type activity long-term debt \$ 40,588,250

Current portion	\$ 2,143,250
Noncurrent portion	<u>38,445,000</u>
Total	<u>\$ 40,588,250</u>

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

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

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, 2013, the City had incurred a liability of \$266,584 for closure and post closure costs for the disposal area.

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, 2013:

	<u>Receivable</u>	<u>Payable</u>
JAKK, LLC	\$ 226,939	\$ 226,939
TCK Leasing, LLC	309,681	309,681
MDI Limited Partnership	119,596	119,596
Logger Investments, LLC	103,892	103,892
South Broad Street, LLC (See footnote C9)	<u>252,207</u>	<u>-</u>
	<u>\$ 1,012,315</u>	<u>\$ 760,108</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

Due from/to other funds:

At September 30, 2013 were the following due from/to other funds:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Reimburse expense for expense reclassification	CDBG	General	\$ 33
City's share of communication center operations	E911	General	165,888
Reimburse expense for fuel and payment for service provided	Electric	General	33,201
Payment for service provided	Water	General	8,615
Payment for service provided	Sewer	General	995
Payment for service provided	Gas	General	1,108
Payment for service provided	Waste Transfer	General	215
Capital expenditures	General	Sales Tax	25,916
Capital expenditures	Street	Sales Tax	189,722
Capital expenditures	Special Projects	Sales Tax	9,208

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

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

9. Interfund Transactions and Balances, Continued

Due from/to other funds, continued:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Reimburse expense for fuel and payment for service provided	Electric	Street	4,634
Payment for service provided	Water	Street	185
Payment for service provided	Gas	Street	172
Payment for service provided	Waste Transfer	Street	1,642
Payment for service provided	Sewer	Street	44
South Broad Street TIF	General	Community Dev. Agency	383,992
Capital expenditures	General	Keno	51,422
Reimburse expense for fuel	Electric	Municipal Transit	1,195
Service cash flow needs	Debt	Municipal Transit	6,479
Service cash flow needs	Debt	On Street Parking	1,484
South hangar complex reimbursement	Sales Tax	Airport	141,298
Payment for service provided	Electric	Airport	957
Payment for service provided	Gas	Airport	22
Reimburse expense for expense reclassification	CDBG	Weatherization	125
Service cash flow needs	General	E911	25,000
Payment for service provided	General	Electric	33
Reimburse expense for parking lot sidewalks	Sales Tax	Electric	3,360
Payment for service provided	Street	Water	5,226
Payment for service provided	Street	Sewer	443

Operating transfers:

<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:		
Sales tax	\$ 4,015,436	\$ -
Keno	903,109	-
Public use property special projects	13,777	-
Park special projects	78,807	-
Drug task force	74,006	-
Electric	2,397,600	(73,866)
Water	11,175	-
Sewer	161,175	-
Gas	873,350	-
E911	-	(230,187)
Transit	-	(24,040)
On-street parking	-	(16,929)
Waste Transfer	-	(463,947)
Total general fund	<u>8,528,435</u>	<u>(808,969)</u>

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

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

9. Interfund Transactions and Balances, Continued

Operating transfers, continued:

Street fund:			
Sales tax	Various street improvement projects; drainage improvements; reimburse property insurance	1,179,460	-
Downtown Improvement District	Downtown street improvements	<u>10,000</u>	<u>-</u>
Total street fund		<u>1,189,460</u>	<u>-</u>
Sales tax fund:			
General	Property tax relief; operating transfers; capital projects	-	(4,015,436)
Street	Various street improvement projects drainage improvements; reimburse property insurance	-	(1,179,460)
Special projects	Trail improvements	-	(145,534)
Electric	Technology park extension; parking lot	-	(217,624)
Water	Infrastructure debt service contribution	-	(217,925)
Sewer	Infrastructure debt service contribution; Technology park connection fee	-	(124,514)
Total sales tax fund		<u>-</u>	<u>(5,900,493)</u>
Non-major funds	Economic development – gas to economic enhancement; Equipment purchases - wireless E911 to E911; others see above	<u>609,749</u>	<u>(1,172,758)</u>
Enterprise funds	See above	<u>1,097,876</u>	<u>(3,543,300)</u>
Total operating transfers		<u>\$11,425,520</u>	<u>\$(11,425,520)</u>

10. Deficit Fund Balance

At September 30, 2013, the On-Street Parking Fund had a deficit balance of \$2,058. The City expects to eliminate this deficit during the year ending September 30, 2014, by making interfund transfers of cash from the general fund.

At September 30, 2013, the E911 Fund had a deficit balance of \$21,593. The City expects to eliminate this deficit during the year ending September 30, 2014, as unearned revenue is recognized.

At September 30, 2013, the Community Development Agency Fund had a deficit balance of \$319,792. Some of the deficit will be offset by the unearned 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.

At September 30, 2013, the Airport Fund had a deficit balance of \$66,703. The City expects to eliminate this deficit as unavailable revenue is recognized.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

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 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, 2013, there were 73 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, 2013, the City's total payroll and covered payroll under the plan was \$2,804,448 and \$2,795,635, respectively.

The employees and the City contributed \$139,784 and \$169,705, respectively, as required by the plan for the fiscal year ended September 30, 2013.

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.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

NOTE D – OTHER NOTES, CONTINUED

1. **Employee Pension and Other Benefit Plans, continued**

Police and Firefighters Plans, Continued

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, \$108,000 on September 25, 2012 and \$50,000 on September 25, 2013. As of September 30, 2013, management believes that with these additional contributions the funding is sufficient.

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

Police Plan

Plan Description

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

For the year ended September 30, 2013, the City's total payroll and covered payroll under the plan was \$2,122,617 and \$2,098,163, 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.

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

NOTE D – OTHER NOTES, CONTINUED

1. Employee Pension and Other Benefit Plans, Continued

Police Plan, Continued

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, 2013	\$ 96,971
Benefit obligation	<u>66,320</u>
Funded status	<u>\$ 30,651</u>
Prepaid (accrued) benefit cost recognized in the balance sheet	<u>\$ -</u>

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 60 participants in the plan as of September 30, 2013. Effective October 1, 2013, the employee and City contribution each increases to 6.5%.

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, 2013.

Contributions made under the defined contribution portion of the Police Plan for the year ended September 30, 2013 were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 130,794	6.0%
Employee	<u>130,794</u>	<u>6.0</u>
	<u>\$ 261,588</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, 2013, the City's total payroll and covered payroll under the plan was \$1,606,526 and \$1,439,468, 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

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE D – OTHER NOTES, CONTINUED

1. Employee Pension and Other Benefit Plans, Continued

Firefighters Plan, Continued

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.

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, 2013	\$ 1,002,481
Benefit obligation	<u>750,715</u>
Funded status	<u>\$ 251,766</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 46 participants in the plan as of September 30, 2013.

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, 2013.

Contributions made under the defined contribution portion of the Firefighters Plan for the year ended September 30, 2013, were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 182,804*	13.0%
Employee	<u>91,403</u>	<u>6.5</u>
	<u>\$ 274,207</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, 2013

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, 2013, there were 174 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, 2013, the City's total payroll and covered payroll under the plan was \$9,282,966 and \$9,246,797, respectively.

The employees and the City contributed \$462,343 and \$566,935 respectively, as required by the plan, for the fiscal year ended September 30, 2013.

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 \$246,165 and the City contributed \$0 under the plan for the year ended September 30, 2013.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

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 \$338,217. 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 \$38,890. This has been included as a current year expenditure. For all of the self-insured funds, an unreserved fund balance of \$2,653,599 was in the Internal Service Fund at September 30, 2013.

Deposits and Investments

Concentration of Credit Risk. The City's deposits and investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2013, the City's investments consisted of certificates of deposit at the following institutions:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank/Fremont	\$ 28,602,800 *
Cornerstone Bank, Columbus	3,046,000
Nebraska Land National Bank	770,680
Totals	<u>\$ 32,419,480</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, 2013.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE D – OTHER NOTES, Continued

2. Risk Management, Continued

Deposits and Investments, Continued

Custodial Credit Risk. For deposits and investments, custodial credit risk is the risk that, in the event of the failure of a bank or other counterparty, the City will not be able to recover the value of its deposits or 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, 2013 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 deposits and 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 2013	\$ 3,250,000
November 2013	20,680
December 2013	250,000
January 2014	-
February 2014	1,850,000
March 2014	4,850,000
April 2014	500,000
May 2014	-
June 2014	-
July 2014	500,000
August 2014	5,402,800
September 2014	-
Due in more than 12 months	15,796,000
	<u>\$ 32,419,480</u>

Credit Risk. Credit risk is the risk that the bank or other counterparty will not fulfill its obligations. The City's cash equivalents and 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, 2013, 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 C1. 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, 2013

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 9/30/2013</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
<u>Governmental:</u>				
Ronin Pool Phase III	\$ 23,786	\$ 23,526	\$ 260	October 31, 2013
Westside BNSF Viaduct	961,414	532,386	429,028	December 31, 2017
West Military Paving & Drainage	1,585,966	-	1,585,966	December 31, 2014
Stormwater Pumping Station	297,700	25,971	271,729	August 31, 2014
27th & Lincoln Box Culvert	26,516	23,865	2,652	February 28, 2014
Main St, 1st-3rd	79,391	70,086	9,305	September 30, 2014
Johnson Road Widening, Military-16th	20,890	19,730	1,160	December 31, 2014
Pierce Street Reconstruction, Linden-Military	23,590	2,700	20,890	December 31, 2015
Park Ave, 2nd-Military	60,160	43,482	16,678	December 31, 2014
Reynolds Road Paving	20,664	18,585	2,079	December 31, 2014
Luther Road Widening, Military-23rd	95,900	51,795	44,105	December 31, 2016
1st Street, Bell-Luther	78,500	70,460	8,040	December 31, 2015
32nd St Paving Improvements	82,330	76,910	5,420	December 31, 2015
Pedestrian Signal Replacements	42,900	33,435	9,465	December 31, 2014
Bell Street Widening, Cuming-14th	582,302	472,251	110,051	April 30, 2014
US 30 West Resurfacing	394,746	98,686	296,059	October 31, 2014
Broad Street Widening, 5th-10th	71,000	-	71,000	December 31, 2014
Yager Road Patching	56,602	-	56,602	July 31, 2014
18th Street Patching	33,781	-	33,781	July 31, 2014
Unified Development Code	146,000	121,852	24,148	June 30, 2014
Digital Aerial Photography	24,574	8,191	16,383	April 30, 2015
E911 Dispatch Radio Console	485,512	121,378	364,134	May 31, 2014
E911 Telephone Controller	191,442	54,005	137,437	January 31, 2014

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE D – OTHER NOTES, CONTINUED

3. Commitments and Contingencies, Continued

Construction, continued

Enterprise Funds:

Roof repair - PP & WH	148,680	125,244	23,436	September 30, 2014
32nd Street 69kV Relocation	644,878	612,634	32,244	November 30, 2013
Unit 8 Environmental Upgrade	46,447,569	1,728,302	44,719,267	December 31, 2015
Fire Suppression System Units 6,7,8	463,321	196,056	267,266	March 31, 2014
Unit 8 Hot Side Electrostatic Precipitator Upgrade	3,710,747	144,568	3,566,179	May 31, 2014
Scada/Metering for SPP	54,400	11,904	42,496	March 31, 2014
Sanitary Sewer Repair 2013	133,035	-	133,035	June 30, 2014
Sanitary Sewer Manhole Repair 2013	23,948	-	23,948	February 28, 2014
Unit 6 Turbine & Generator Repair	230,942	-	230,942	February 28, 2014
	<u>\$ 57,243,186</u>	<u>\$ 4,688,002</u>	<u>\$ 52,555,185</u>	

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 was to 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.

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. As of September 30, 2013, the City had purchased 231,382 of the tons required under the first contract year.

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

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

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 by OGE Energy Resources of the termination of this contract effective November 1, 2012 due to a change in ownership of the company.

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, 2013

NOTE D – OTHER NOTES, CONTINUED

4. Major Customers

The City has one customer that was billed \$2,974,375 for electricity, \$2,377,840 for gas, and \$1,261,834 for sewer for the year ended September 30, 2013. This represents 10.0 percent of total electric billing, 15.6 percent of total gas billing, and 31.4 percent of total sewer billing, respectively, for the year ended September 30, 2013. (The billings represent 12.7 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, 2013:

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 - termination	Supplementation of present emergency warning system by connecting its emergency warning system to the City of Fremont's system.
Village of Inglewood	6/15/2013 - 6/15/2014	Keno lottery, CDBG projects, sewer and water systems
Omaha Public Power District	7/18/2010 - 7/18/2014	Provide reliable, cost effective energy related products and services
Counties: Dodge, Burt, Saunders, Colfax, Cuming, and Washington Cities: Dodge, Snyder, Scribner, Hooper, Uehling, Winslow, Nickerson, North Bend and Inglewood	12/01/2012 - 12/31/2016	Enhanced 911 services

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

NOTE D – OTHER NOTES, CONTINUED

5. Interlocal Agreements, Continued

Parties to Agreement	Term	Description
Counties of Dodge, Cuming and Saunders, and Cities of Blair, West Point and Ashland	10/31/2009 - funds are exhausted	Drug task force
Dodge County School District No. 1	10/15/2013 - 10/15/2014	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	Mutual law enforcement assistance
Northeast Nebraska Economic Development District	Upon termination	Creating and implementing community and economic development programs
City of Scribner	12/28/2010 - 1/31/2015 or completion of project	Serve as responsible charge for Scribner Pedestrian Trail for City of Scribner.
City of Arlington	1/1/2013 - 1/1/2018	Keno lottery
City of Yutan	9/15/2012 - 9/18/2017	Keno lottery
City of Kennard	9/11/2012 - 9/11/2017	Keno lottery

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE D – OTHER NOTES, CONTINUED

6. EPA Emissions Allowances

As of September 30, 2013, the City had 13,491 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, 2013 of \$0.65, the City would recognize revenue of \$8,769.

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 received 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, 2013 – September 30, 2017.
- American Federation of State, County and Municipal Employees, AFL/CIO Local 251 – effective October 1, 2013 – September 30, 2017.
- International Association of Fire Fighters Local 1015 – effective October 1, 2013 – September 30, 2017.
- Fraternal Order of Police, Local No. 37 – effective October 1, 2013 – September 30, 2015.

8. Subsequent Events

Management has evaluated subsequent events through January 22, 2014, the date on which the financial statements were available for issue.

9. Change in Accounting Principle

During the year ended September 30, 2013 the City implemented several Governmental Accounting Standards Board (GASB) statements. Below is detailed information of those standards that had a direct impact on the City's current financial statements.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This requirement will bring the authoritative accounting and financial reporting literature together in one place. Therefore, the option to use subsequent FASB guidance has been removed.

Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, Elements of Financial Statements. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2013

NOTE D – OTHER NOTES, CONTINUED

9. Change in Accounting Principle, Continued

The City early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The result of implementation was a direct adjustment to net position, in the amount of \$(103,368) in governmental activities and \$(762,380) in business-type activities to eliminate bond issue costs.

September 30, 2012, net position for the governmental and business-type activities in the Government-wide Statements were restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance at September 30, 2012, as originally reported	\$ 68,783,616	\$ 128,683,264	\$ 197,466,880
Increase in property tax receivable	868		868
Increase in the amount due from other governments	454,337		454,337
Elimination of bond issue costs	(103,368)	(762,380)	(865,748)
Balance at September 30, 2012, as restated	<u>\$ 69,135,453</u>	<u>\$ 127,920,884</u>	<u>\$ 197,056,337</u>

September 30, 2012, fund balances for the governmental funds were restated as follows:

General Fund:

Adjustment of property tax receivable for Debt Service fund portion	\$ (2,618)
Adjustment to defer ambulance receivables not collected within 60 days of year end	<u>(294,270)</u>
Total restatement of General Fund	<u>(296,888)</u>

Street Fund:

Adjustment to defer interest receivable not collected within 60 days of year end	<u>(17,435)</u>
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Sales Tax Fund:

Adjustment to include sales tax receipts collected within 60 days of year end	<u>454,337</u>
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Debt Service Fund:

Adjustment of property tax receivable for deferred revenue	<u>3,486</u>
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Paving & Sidewalk Districts Fund:

Adjustment to defer interest receivable not collected within 60 days of year end	<u>(20,802)</u>
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Special Projects Fund:

Adjustment to defer amount due from other governments not collected within 60 days of year end	<u>(30,500)</u>
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Total restatement of governmental fund balance at
September 30, 2012

\$ 92,198

CITY OF FREMONT, NEBRASKA
NOTES TO FINANCIAL STATEMENTS, CONTINUED
SEPTEMBER 30, 2013

NOTE D – OTHER NOTES, CONTINUED

9. Change in Accounting Principle, Continued

September 30, 2012, fund balances for the proprietary funds were restated as follows:

	Business-Type Activities			
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Gas Fund</u>
Balance at September 30, 2012, as originally reported	\$ 67,835,943	\$ 20,064,077	\$ 28,567,730	\$ 11,676,895
Elimination of bond issue costs	(428,988)	(232,762)	(86,652)	(13,978)
Balance at September 30, 2012, as restated	<u>\$ 67,406,955</u>	<u>\$ 19,831,315</u>	<u>\$ 28,481,078</u>	<u>\$ 11,662,917</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 4,509,486	\$ 4,548,650	\$ 39,164
Payments in lieu of taxes	3,377,800	9,885	(3,367,915)
Franchise	287,500	270,921	(16,579)
Business	490,000	955,727	465,727
Intergovernmental	562,732	566,697	3,965
Charges for services	1,535,350	1,416,525	(118,825)
Donations	141,000	14,264	(126,736)
Interest income	28,000	9,990	(18,010)
Other	9,993	28,414	18,421
	<u>10,941,861</u>	<u>7,821,073</u>	<u>(3,120,788)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	4,848,651	2,445,442	(2,403,209)
Public safety	7,879,795	7,088,705	(791,090)
Public works	602,004	453,596	(148,408)
Environment and leisure	3,813,571	3,531,727	(281,844)
Employee insurance	180,000	163,640	(16,360)
	<u>17,324,021</u>	<u>13,683,110</u>	<u>(3,640,911)</u>
Resources over (under) charges to appropriations	<u>(6,382,160)</u>	<u>(5,862,037)</u>	<u>520,123</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	5,322,100	8,528,435	3,206,335
Transfers out	(40,969)	(808,969)	(768,000)
Net transfers	<u>5,281,131</u>	<u>7,719,466</u>	<u>2,438,335</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u><u>\$ (1,101,029)</u></u>	<u><u>\$ 1,857,429</u></u>	<u><u>\$ 2,958,458</u></u>

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 450,000	\$ 449,655	\$ (345)
Intergovernmental	5,259,000	2,352,308	(2,906,692)
Charges for services	30,000	42,622	12,622
Interest income	30,000	29,368	(632)
Other income	150,000	2,427	(147,573)
	<u>5,919,000</u>	<u>2,876,380</u>	<u>(3,042,620)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	14,715,071	3,807,142	(10,907,929)
	<u>(8,796,071)</u>	<u>(930,762)</u>	<u>7,865,309</u>
OTHER FINANCING SOURCES			
Transfers in	7,885,300	1,189,460	(6,695,840)
Transfers out	-	-	-
Net transfers	<u>7,885,300</u>	<u>1,189,460</u>	<u>(6,695,840)</u>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS			
	<u>\$ (910,771)</u>	<u>\$ 258,698</u>	<u>\$ 1,169,469</u>

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Sales tax	\$ 5,988,400	\$ 5,634,133	\$ (354,267)
Intergovernmental	67,296	-	(67,296)
Charges for services	35,000	47,908	12,908
Interest income	64,250	40,852	(23,398)
Bond proceeds	2,900,000	-	(2,900,000)
Loan repayment proceeds	104,463	177,256	72,793
	<u>9,159,409</u>	<u>5,900,149</u>	<u>(3,259,260)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	-	11,223	11,223
	<u>-</u>	<u>11,223</u>	<u>11,223</u>
Resources over (under) charges to appropriations	9,159,409	5,888,926	(3,270,483)
OTHER FINANCING USES			
Transfers out	(13,110,824)	(5,946,477)	7,164,347
	<u>(13,110,824)</u>	<u>(5,946,477)</u>	<u>7,164,347</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES	<u><u>\$ (3,951,415)</u></u>	<u><u>\$ (57,551)</u></u>	<u><u>\$ 3,893,864</u></u>

CITY OF FREMONT, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Note A - Explanation of Differences between Budgetary Inflows and Outflows and Modified Accrual Revenue and Expenditures

The City prepares its budgets on the cash basis of accounting. Accordingly, revenues are recognized when cash is received by the City and expenditures are recognized when cash is disbursed. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method of accounting, all unexpended appropriations lapse at the end of the budget year.

Amounts presented on the cash basis of accounting differ from those presented in accordance with the modified accrual basis of accounting due to the treatment of afforded accruals. A reconciliation for the year ended September 30, 2013, which discloses the nature and amount of the adjustments necessary to convert the modified accrual data to the budgetary basis, is presented below:

	<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	\$ 7,821,073	\$ 2,876,380	\$ 5,900,149
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>(35,853)</u>	<u>30,909</u>	<u>(129,957)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,785,220</u>	<u>\$ 2,907,289</u>	<u>\$ 5,770,192</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$13,683,110	\$ 3,807,142	\$ 11,223
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>78,904</u>	<u>56,928</u>	<u>(877)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$13,762,014</u>	<u>\$ 3,864,070</u>	<u>\$ 10,346</u>
Other financing uses:			
Actual amounts (budgetary basis) "total transfers" from the budgetary comparison schedules	\$ 7,719,466	\$ 1,189,460	\$(5,946,477)
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>-</u>	<u>-</u>	<u>45,984</u>
Total transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,719,466</u>	<u>\$ 1,189,460</u>	<u>\$(5,900,493)</u>

CITY OF FREMONT, NEBRASKA
SCHEDULE OF FUNDING PROGRESS -
PUBLIC SAFETY EMPLOYEES RETIREMENT SYSTEM
(POLICE OFFICERS AND FIREFIGHTERS)

YEAR ENDED SEPTEMBER 30, 2013

<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, 2013

		<u>Special Revenue Funds</u>	
	<u>Debt Service</u>	<u>Municipal Transit</u>	<u>Paving & Sidewalk Districts</u>
ASSETS			
Cash and cash equivalents	\$ 100,933	\$ -	\$ 871,413
Investments	-	-	500,000
County treasurer cash	6,886	-	-
Receivables:			
Special assessments	-	-	464,039
Accounts, net of allowance for doubtful accounts	-	-	-
Notes, net of allowance for doubtful accounts	-	-	-
Interest	-	-	26,539
Property tax	7,445	-	-
Business tax	-	-	-
TIF bond receivable	-	-	-
Due from other governments	-	12,219	-
Due from other funds	7,963	-	-
Prepaid expenses	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 123,227</u>	<u>\$ 12,219</u>	<u>\$ 1,861,991</u>
LIABILITIES			
Accounts payable	\$ -	\$ 210	\$ 200
Due to other funds	-	7,674	-
Due to other governments	-	-	-
Accrued expenses	14,366	4,227	-
TIF payable	-	-	-
Advanced revenue	-	-	-
Unearned revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>14,366</u>	<u>12,111</u>	<u>200</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	5,299	-	-
Unavailable revenue - other local taxes	-	-	490,578
Unavailable revenue - fees and other	-	-	-
Unavailable revenue - notes	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>5,299</u>	<u>-</u>	<u>490,578</u>
FUND BALANCES (DEFICIT)			
Nonspendable:			
Permanent Fund principal	-	-	-
Prepaid expenses	-	-	-
Notes receivable	-	-	-
Restricted for:			
Debt service	103,562	-	-
Public safety	-	-	-
Economic development	-	-	-
Capital/special projects	-	-	1,371,213
Federal programs	-	108	-
Community betterment	-	-	-
Community development block grant	-	-	-
Assigned for:			
Airport	-	-	-
Downtown improvements/parking	-	-	-
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>103,562</u>	<u>108</u>	<u>1,371,213</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 123,227</u>	<u>\$ 12,219</u>	<u>\$ 1,861,991</u>

CITY OF FREMONT, NEBRASKA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

SEPTEMBER 30, 2013

	Special Revenue Funds		
	CDBG Fund	Weatherization EDA (HUD)	Economic Enhancement
ASSETS			
Cash and cash equivalents	\$ 603,496	\$ 33,074	\$ 289,741
Investments	-	-	-
County treasurer cash	-	-	-
Receivables:			
Special assessments	-	-	-
Accounts, net of allowance for doubtful accounts	-	-	-
Notes, net of allowance for doubtful accounts	426,120	727,169	115,000
Interest	-	-	-
Property tax	-	-	-
Business tax	-	-	-
TIF bond receivable	-	-	-
Due from other governments	40,575	-	-
Due from other funds	158	-	-
Prepaid expenses	-	-	-
Total assets	\$ 1,070,349	\$ 760,243	\$ 404,741
LIABILITIES			
Accounts payable	\$ 40,962	\$ 705	\$ -
Due to other funds	-	125	-
Due to other governments	606,493	-	-
Accrued expenses	-	-	-
TIF payable	-	-	-
Advanced revenue	-	-	-
Unearned revenue	-	-	-
Total liabilities	647,455	830	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	-	-
Unavailable revenue - other local taxes	-	-	-
Unavailable revenue - fees and other	-	-	-
Unavailable revenue - notes	-	-	-
Total deferred inflows of resources	-	-	-
FUND BALANCES (DEFICIT)			
Nonspendable:			
Permanent fund principal	-	-	-
Prepaid expenses	-	-	-
Notes receivable	-	727,169	115,000
Restricted for:			
Debt service	-	-	-
Public safety	-	-	-
Economic development	-	-	289,741
Capital/special projects	-	-	-
Federal programs	-	32,244	-
Community betterment	-	-	-
Community development block grant	422,894	-	-
Assigned for:			
Airport	-	-	-
Downtown improvements/parking	-	-	-
Unreserved	-	-	-
Total fund balances (deficit)	422,894	759,413	404,741
Total liabilities, deferred inflows of resources and fund balances	\$ 1,070,349	\$ 760,243	\$ 404,741

Special Revenue Funds				Capital Projects	Total Non-major
Airport Fund	Enhanced & Wireless 911	Drug Task Force	Community Development Agency	Special Projects	Governmental Funds
\$ 91,299	\$ 147,125	\$ 228,420	\$ 64,200	\$ 527,992	\$ 3,563,644
-	-	-	-	-	925,000
-	-	-	-	-	6,886
141,697	-	-	-	-	605,736
165	-	-	-	-	58,293
-	-	-	-	-	1,268,289
-	-	-	-	-	27,113
-	-	-	-	-	7,445
-	35,049	-	-	-	35,049
-	-	-	1,012,315	-	1,012,315
-	195,920	4,244	-	30,500	283,458
-	165,888	-	-	9,208	183,217
-	-	-	-	-	-
<u>\$ 233,161</u>	<u>\$ 543,982</u>	<u>\$ 232,664</u>	<u>\$ 1,076,515</u>	<u>\$ 567,700</u>	<u>\$ 7,976,445</u>
\$ 9,597	\$ 319,180	\$ 6,170	\$ -	\$ 9,208	\$ 429,092
142,277	25,000	-	383,992	-	611,974
-	-	-	-	-	606,493
293	33,608	-	-	-	52,494
-	-	-	760,108	-	760,108
-	-	310	-	-	310
6,000	-	-	-	-	6,000
<u>158,167</u>	<u>377,788</u>	<u>6,480</u>	<u>1,144,100</u>	<u>9,208</u>	<u>2,466,471</u>
-	-	-	-	-	5,299
-	-	-	-	-	490,578
-	187,787	-	-	30,500	222,313
141,697	-	-	252,207	-	393,904
<u>141,697</u>	<u>187,787</u>	<u>-</u>	<u>252,207</u>	<u>30,500</u>	<u>1,112,094</u>
-	-	-	-	-	125,000
-	-	-	-	-	-
-	-	-	-	-	842,169
-	-	-	-	-	103,562
-	-	226,184	-	-	226,184
-	-	-	-	-	289,741
-	-	-	-	527,992	1,964,782
-	-	-	-	-	32,352
-	-	-	-	-	787,207
-	-	-	-	-	422,894
74,994	-	-	-	-	74,994
-	-	-	-	-	14,135
<u>(141,697)</u>	<u>(21,593)</u>	<u>-</u>	<u>(319,792)</u>	<u>-</u>	<u>(485,140)</u>
<u>(66,703)</u>	<u>(21,593)</u>	<u>226,184</u>	<u>(319,792)</u>	<u>527,992</u>	<u>4,397,880</u>
<u>\$ 233,161</u>	<u>\$ 543,982</u>	<u>\$ 232,664</u>	<u>\$ 1,076,515</u>	<u>\$ 567,700</u>	<u>\$ 7,976,445</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, 2013

		Special Revenue Funds	
	Debt Service	Municipal Transit	Paving & Sidewalk Districts
REVENUES			
Property tax	\$ 239,700	\$ -	\$ -
Business taxes	-	-	-
TIF payments	-	-	-
Payments in lieu of taxes	533	-	-
Intergovernmental	-	69,242	-
Keno	-	-	-
Charges for services	-	3,107	255,773
Donations	-	-	-
Interest income	150	(9)	25,393
Other income	-	-	-
Total revenues	<u>240,383</u>	<u>72,340</u>	<u>281,166</u>
EXPENDITURES			
General government	450	-	-
Public safety	-	-	-
Public works	-	-	242,425
Environment and leisure	-	96,509	-
Principal payments on debt	215,000	-	-
Interest on long-term debt	88,685	-	-
Total expenditures	<u>304,135</u>	<u>96,509</u>	<u>242,425</u>
Excess (deficiency) of revenues over expenditures	<u>(63,752)</u>	<u>(24,169)</u>	<u>38,741</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	24,040	-
Total other financing sources (uses)	<u>-</u>	<u>24,040</u>	<u>-</u>
Net change in fund balances	<u>(63,752)</u>	<u>(129)</u>	<u>38,741</u>
Fund balances - September 30, 2012 as originally reported	163,828	237	1,353,274
Restatement	3,486	-	(20,802)
Fund balances - September 30, 2012, as restated	<u>167,314</u>	<u>237</u>	<u>1,332,472</u>
Fund balances - September 30, 2013	<u>\$ 103,562</u>	<u>\$ 108</u>	<u>\$ 1,371,213</u>

Special Revenue Funds

	Park Special Projects	Downtown Improvement District	Public Use Property Special Projects	On- Street Parking	Keno Fund
\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	535,654
	-	11,844	-	10,671	-
	-	-	-	-	57,188
	47	36	1,181	(3)	640
	-	-	-	-	1,667
	<u>47</u>	<u>11,880</u>	<u>1,181</u>	<u>10,668</u>	<u>595,149</u>
	-	11,785	-	-	-
	-	-	-	27,527	-
	-	-	-	-	-
	-	-	-	-	236,293
	-	-	-	-	-
	<u>-</u>	<u>11,785</u>	<u>-</u>	<u>27,527</u>	<u>236,293</u>
	<u>47</u>	<u>95</u>	<u>1,181</u>	<u>(16,859)</u>	<u>358,856</u>
	<u>(78,807)</u>	<u>(10,000)</u>	<u>(13,776)</u>	<u>16,929</u>	<u>(903,109)</u>
	<u>(78,807)</u>	<u>(10,000)</u>	<u>(13,776)</u>	<u>16,929</u>	<u>(903,109)</u>
	<u>(78,760)</u>	<u>(9,905)</u>	<u>(12,595)</u>	<u>70</u>	<u>(544,253)</u>
	78,760	24,040	203,172	(2,128)	1,331,460
	-	-	-	-	-
	<u>78,760</u>	<u>24,040</u>	<u>203,172</u>	<u>(2,128)</u>	<u>1,331,460</u>
\$	<u>-</u>	<u>\$ 14,135</u>	<u>\$ 190,577</u>	<u>\$ (2,058)</u>	<u>\$ 787,207</u>

CITY OF FREMONT, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds		
	CDBG Fund	Weatherization EDA (HUD)	Economic Enhancement
REVENUES			
Property tax	\$ -	\$ -	\$ -
Business taxes	-	-	-
TIF payments	-	-	-
Payment in lieu of taxes	-	-	-
Intergovernmental	43,683	398,341	-
Keno	-	-	-
Charges for services	-	-	-
Donations	-	-	-
Interest income	1,365	1,327	349
Other income	-	-	-
Total revenues	<u>45,048</u>	<u>399,668</u>	<u>349</u>
EXPENDITURES			
General government	837,994	84,960	-
Public safety	-	-	-
Public works	-	-	-
Environment and leisure	-	-	-
Principal payments on debt	-	-	-
Interest on long-term debt	-	-	-
Total expenditures	<u>837,994</u>	<u>84,960</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(792,946)</u>	<u>314,708</u>	<u>349</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	100,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>100,000</u>
Net change in fund balances	<u>(792,946)</u>	<u>314,708</u>	<u>100,349</u>
Fund balances - September 30, 2012 as originally reported	1,215,840	444,705	304,392
Restatement	-	-	-
Fund balances - September 30, 2012, as restated	<u>1,215,840</u>	<u>444,705</u>	<u>304,392</u>
Fund balances - September 30, 2013	<u>\$ 422,894</u>	<u>\$ 759,413</u>	<u>\$ 404,741</u>

Special Revenue Funds				Capital Projects	Total Non-major Governmental Funds
Airport Fund	Enhanced & Wireless 911	Drug Task Force	Community Development Agency	Special Projects	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 239,700
-	154,465	-	-	-	154,465
-	-	-	254,511	-	254,511
-	-	-	-	-	533
9,553	606,662	300,168	-	30,829	1,458,478
-	-	-	-	-	535,654
4,597	-	-	-	-	285,992
-	-	-	-	20,895	78,083
119	253	-	-	728	31,576
-	-	1,738	11,311	-	14,716
<u>14,269</u>	<u>761,380</u>	<u>301,906</u>	<u>265,822</u>	<u>52,452</u>	<u>3,053,708</u>
-	-	-	239,897	31,724	1,206,810
-	1,298,251	99,489	-	-	1,425,267
-	-	-	-	145,534	387,959
121,124	-	-	-	-	453,926
21,000	-	-	-	-	236,000
-	-	-	-	-	88,685
<u>142,124</u>	<u>1,298,251</u>	<u>99,489</u>	<u>239,897</u>	<u>177,258</u>	<u>3,798,647</u>
<u>(127,855)</u>	<u>(536,871)</u>	<u>202,417</u>	<u>25,925</u>	<u>(124,806)</u>	<u>(744,939)</u>
-	230,186	(74,006)	-	145,534	(563,009)
-	230,186	(74,006)	-	145,534	(563,009)
<u>(127,855)</u>	<u>(306,685)</u>	<u>128,411</u>	<u>25,925</u>	<u>20,728</u>	<u>(1,307,948)</u>
61,152	285,092	97,773	(345,717)	537,764	5,753,644
-	-	-	-	(30,500)	(47,816)
<u>61,152</u>	<u>285,092</u>	<u>97,773</u>	<u>(345,717)</u>	<u>507,264</u>	<u>5,705,828</u>
<u>\$ (66,703)</u>	<u>\$ (21,593)</u>	<u>\$ 226,184</u>	<u>\$ (319,792)</u>	<u>\$ 527,992</u>	<u>\$ 4,397,880</u>

SINGLE AUDIT REPORT

CITY OF FREMONT, NEBRASKA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2013

<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	\$ 46,248
Passed through Nebraska Department of Aeronautics: Airport Improvement Program	20.106	<u>9,553</u>
Total Department of Transportation		<u>55,801</u>
<u>Department of Justice</u>		
Public Safety Partnership and Community Policing Grants: Hiring Program	16.17	67,962
Passed through the Nebraska State Patrol: Edward Byrne Memorial Justice Assistance Grant Program	16.738	75,000
Organized Crime Drug Enforcement Task Forces Program	16.738	<u>1,355</u>
Total Department of Justice		<u>144,317</u>
<u>Department of Homeland Security</u>		
Passed through Nebraska Emergency Management Agency: Disaster Grants of Presidentially Declared Disasters	97.036	<u>114,467</u>
<u>Department of Housing and Urban Development</u>		
Passed through Nebraska Department of Economic Development: Community Development Block Grant	14.228	<u>442,024</u> *
<u>Executive Office of the President</u>		
Passed through Nebraska State Patrol: High Intensity Drug Trafficking Area Program	95.001	<u>37,860</u>
Total Expenditures of Federal Awards		<u>\$ 794,469</u>

*Major Program

CITY OF FREMONT, NEBRASKA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

SEPTEMBER 30, 2013

NOTE A - BASIS OF PRESENTATION

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

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

NOTE B - FEDERAL LOAN PROGRAMS

The Revolving Loan Program is a Community Development Block Grant (CDBG) program whereby funds are made available to the City to loan to low- and moderate-income families for a variety of purposes and to businesses for economic development. These funds, once issued, are repaid to the City, who in turn reloans the funds to other low- to moderate-income families and businesses. The balance of loans outstanding as of September 30, 2013 is \$426,120.

January 22, 2014

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, in accordance with the 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, 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, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Fremont, Nebraska's basic financial statements, and have issued our report thereon dated January 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Fremont, Nebraska's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of City of Fremont, Nebraska's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor and
Members of the City Council
City of Fremont, Nebraska
January 22, 2014
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Fremont, Nebraska's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HSMC ORIZON LLC

January 22, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

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 the City of Fremont, Nebraska's major federal program for the year ended September 30, 2013. City of Fremont, Nebraska's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Fremont, Nebraska's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of City of Fremont, Nebraska's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Fremont, Nebraska, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

Honorable Mayor and
Members of the City Council
City of Fremont, Nebraska
January 22, 2014
Page Two

Report on Internal Control Over Compliance

Management of City of Fremont, Nebraska, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Fremont, Nebraska's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



HSMC ORIZON LLC

CITY OF FREMONT, NEBRASKA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

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 the 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**

None