

**CITY OF FREMONT, NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2015**

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January 26, 2016

## 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, 2015, 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.

## 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, 2015, 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.

## 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 4–11, 62–65 and 66 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.

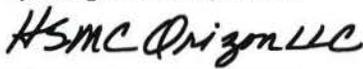
### *Other Information*

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 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 26, 2016, 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, 2015

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### 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, 2015.

#### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$229,766,609 (*net position*). Of this amount, \$70,055,685 (*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 governmental activities reported combined ending net position of \$84,446,651. Approximately 15.9 percent of this total amount, \$13,394,926, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,381,478, or 63.4 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's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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's finances in a manner similar to a private-sector business.

The *statement of net position* presents information about the City'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 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 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 include general government, public safety, highways and streets, economic development and culture and recreation. The business-type activities of the City include the Electric, Water, Sewer, Gas and Waste Transfer activities.

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

## CITY OF FREMONT, NEBRASKA

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2015

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**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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *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 maintains 16 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 13 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 adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, and Sales Tax Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 - 17 of this report.

**Proprietary Funds.** The City 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 uses enterprise funds to account for its Electric, Water, Sewer, and Gas Funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City 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, and Gas Funds, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 18 - 21 of this report.

**CITY OF FREMONT, NEBRASKA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 61 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's budgetary comparison schedules. Required supplementary information can be found on pages 62 - 66 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 67 - 71 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, assets exceeded liabilities by \$229,766,609 at the close of the most recent fiscal year.

**Summary of Net Position**

	September 30, 2015			September 30, 2014		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Current and Other Assets	\$ 45,310,070	\$ 66,162,607	\$ 111,472,677	\$ 41,751,504	\$ 89,644,962	\$ 131,396,466
Capital Assets	45,909,105	161,715,234	207,624,339	45,988,953	133,284,744	179,273,697
Total Assets	91,219,175	227,877,841	319,097,016	87,740,457	222,929,706	310,670,163
Long-term Liabilities	4,090,133	71,093,767	75,183,900	4,372,346	74,619,360	78,991,706
Other Liabilities	2,682,391	11,464,116	14,146,507	2,962,649	9,834,693	12,797,342
Total Liabilities	6,772,524	82,557,883	89,330,407	7,334,995	84,454,053	91,789,048
Net Position:						
Net Investment						
in Capital Assets	42,580,700	79,951,724	122,532,424	42,398,703	93,316,267	135,714,970
Restricted	28,471,025	8,707,475	37,178,500	25,247,345	9,372,701	34,620,046
Unrestricted	13,394,926	56,660,759	70,055,685	12,759,414	35,786,685	48,546,099
Total Net Position	\$ 84,446,651	\$ 145,319,958	\$ 229,766,609	\$ 80,405,462	\$ 138,475,653	\$ 218,881,115

The largest portion of the City's net position (53.3 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 uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City'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's net position (16.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$70,055,685) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City 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.

**CITY OF FREMONT, NEBRASKA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Governmental Activities.** Net position increased \$4,041,189 in the governmental activities during the year ended September 30, 2015, accounting for 37.1 percent of the total growth in the City's net position for the year ended September 30, 2015. Key elements of this increase are as follows:

**Expenses and Program Revenues - Governmental Activities**

<u>Function</u>	<u>Year Ended September 30, 2015</u>		<u>Year Ended September 30, 2014</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General government	\$ 1,376,789	\$ 4,383,860	\$ 1,346,558	\$ 5,214,957
Public safety	1,531,030	8,187,773	1,089,449	7,260,425
Public works	1,385,662	3,317,388	1,830,774	3,022,746
Environment and leisure	654,880	3,111,372	752,858	3,477,882
Non-departmental	-	223,616	-	223,699
Interest	-	85,978	-	87,546
Depreciation and amortizaion	-	1,874,794	-	1,814,754
<b>Total</b>	<b>\$ 4,948,361</b>	<b>\$ 21,184,781</b>	<b>\$ 5,019,639</b>	<b>\$ 21,102,009</b>

**Revenues by Source – Governmental Activities**

**SOURCES OF REVENUE**

	<u>Year Ended September 30, 2015</u>		<u>Year Ended September 30, 2014</u>	
Charges for services	\$ 3,456,680	13.70 %	\$ 2,992,048	11.35 %
Operating grants and contributions	736,215	2.92	720,830	2.73
Capital grants and contributions	755,466	2.99	1,306,761	4.96
Property taxes	4,537,807	17.99	5,246,993	19.90
Motor vehicle taxes	496,452	1.97	472,114	1.79
Sales tax	6,192,744	24.55	5,997,513	22.75
TIF payments	226,904	0.90	232,484	0.88
Payments in lieu of taxes	9,454	0.04	11,467	0.04
Franchise taxes	236,274	0.94	242,362	0.92
Other taxes	1,215,685	4.82	1,197,921	4.54
State allocation	3,313,517	13.14	3,158,920	11.98
Keno	585,538	2.32	595,735	2.26
Special assessments	(1,246)	(0.00)	76,568	0.29
Miscellaneous	47,813	0.19	77,769	0.29
Interest	166,069	0.66	126,434	0.48
Gain (loss) on sale of assets	43,200	0.17	154,913	0.59
Transfer from (to) other funds	3,207,398	12.71	3,755,306	14.24
<b>Total</b>	<b>\$ 25,225,970</b>	<b>100.00 %</b>	<b>\$ 26,366,138</b>	<b>100.00 %</b>

Net position increased \$4,041,189 in governmental activities during the year ended September 30, 2015.

**CITY OF FREMONT, NEBRASKA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Business-type Activities.** Business-type activities increased the City's net position by \$6,844,305, accounting for total growth of 62.9 percent of the total growth in the government's net position for the year ended September 30, 2015. Key elements of this increase are as follows:

**Expenses and Program Revenues – Business-type Activities**

<u>Function</u>	<u>Year Ended September 30, 2015</u>		<u>Year Ended September 30, 2014</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 36,247,090	\$ 29,696,506	\$ 35,727,793	\$ 29,667,167
Water	3,303,570	2,630,920	3,355,051	2,709,624
Sewer	5,385,767	3,966,334	5,238,577	3,888,004
Gas	13,927,053	12,697,612	17,999,571	16,719,915
Total	<u>\$ 58,863,480</u>	<u>\$ 48,991,372</u>	<u>\$ 62,320,992</u>	<u>\$ 52,984,710</u>

**Revenues by Source – Business-type Activities**

**SOURCES OF REVENUE**

	<u>Year Ended September 30, 2015</u>		<u>Year Ended September 30, 2014</u>	
Charges for services	\$ 58,535,647	104.84 %	\$ 61,190,663	104.30 %
Capital grants and contributions	327,833	0.59	1,130,329	1.93
Interest	325,229	0.58	193,790	0.33
Gain (loss) on sale of assets	(145,634)	(0.26)	(88,908)	(0.15)
Transfer (to) from other funds	(3,207,398)	(5.74)	(3,755,306)	(6.40)
Total	<u>\$ 55,835,677</u>	<u>100.00 %</u>	<u>\$ 58,670,568</u>	<u>100.00 %</u>

**Financial Analysis of the Government's Funds**

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

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City'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's *governmental funds* reported combined ending fund balances of \$39,289,287. Approximately 23.1 percent of this total amount (\$9,083,497) 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 (\$110,790), 2) restricted for street improvements (\$9,309,848), 3) restricted for public safety (\$1,884,992), 4) restricted for infrastructure (\$5,309,294), 5) restricted for property tax relief (\$808,511), 6) restricted for economic development (\$5,054,075), 7) restricted for a variety of capital/special projects (\$2,332,244), 8) restricted for Federal programs (\$19,368), 9) restricted for community betterment (\$604,852), 10) restricted for community development block grant (\$126,682), 11) committed for code enforcement/defense (\$1,924,070), 12) assigned for downtown improvement projects (\$8,795), 13) assigned for the airport (\$181,021), 14) endowed as non-spendable principal (\$125,000), 15) non-spendable prepaid expense (\$243,555) or 16) non-spendable notes receivable (\$2,162,692).

## CITY OF FREMONT, NEBRASKA

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2015

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The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$9,381,478. 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 63.4 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$705,529 during the current fiscal year, due in part to an increase in municipal equalization from the state of \$227,750 more than was budgeted, as well as tipping fees at the City's waste transfer station outpacing budget by \$158,000. Expenditure savings included \$287,000 in outside service contracts and \$85,000 in property and liability insurance.

**Proprietary Funds.** The City'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 - \$38,911,280, Water Fund - \$2,881,036, Sewer Fund - \$6,920,346, and Gas Fund - \$7,948,097. The change in net position for the proprietary funds was as follows: Electric Fund - \$4,341,845, Water Fund - \$641,033, Sewer Fund - \$1,381,514, and Gas Fund - \$479,913. The increase in the Electric Fund was attributable to a six percent rate increase effective in November 2014 in the electric fund. The increase in the Sewer Fund was attributable to additional charges to industrial customers based on concentration of waste. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities.

#### **Budgetary Highlights**

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

#### **Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$207,624,339 (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:

- West Military, Ridge Road to BNSF paving - \$1,149,691
- Electric distribution system improvements - \$1,063,189
- Water system improvements - \$1,000,057
- Sewer system improvements - \$775,086
- West Military, Ridge Road to BNSF storm sewer - \$732,420
- E911 dispatch radio console - \$485,512
- Gas system improvements - \$433,292
- Ritz Lake phase I paving - \$396,551
- Unit 6, 7, & 8 fire suppression system - \$377,411
- 2015 Freightliner bucket truck - \$227,816
- Ridge Road State Lakes bike trail - \$218,663

**CITY OF FREMONT, NEBRASKA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

- Unit 8 environmental upgrade - \$28,031,067
- City Hall chiller replacement - \$459,615
- Unit 8 cooling tower fill replacement - \$405,867
- 72.5kV breakers - \$355,915
- Plant II propane equipment upgrade - \$354,525
- 69kV joint transmission line project - \$345,834

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

	Year Ended September 30, 2015			Year Ended September 30, 2014		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 8,085,378	\$ 4,237,456	\$ 12,322,834	\$ 7,926,934	\$ 4,237,456	\$ 12,164,390
Construction in Progress	3,432,904	51,101,373	54,534,277	5,884,273	21,423,860	27,308,133
Infrastructure	22,518,662	-	22,518,662	20,263,357	-	20,263,357
Buildings and Improvements	9,143,670	-	9,143,670	9,318,151	-	9,318,151
Machinery and Equipment	2,728,491	3,806,663	6,535,154	2,596,238	4,125,236	6,721,474
Distribution Systems, Buildings, and Equipment	-	101,540,948	101,540,948	-	102,841,783	102,841,783
Office Furniture and Equipment	-	375,435	375,435	-	314,089	314,089
Vehicles	-	653,359	653,359	-	342,320	342,320
<b>Total</b>	<b>\$ 45,909,105</b>	<b>\$ 161,715,234</b>	<b>\$ 207,624,339</b>	<b>\$ 45,988,953</b>	<b>\$ 133,284,744</b>	<b>\$ 179,273,697</b>

Additional information on the City'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 had total bonded debt, notes, and capital leases payable (excluding TIF bonds payable) outstanding of \$74,699,250.

**City of Fremont's Outstanding Debt**

	Year Ended September 30, 2015			Year Ended September 30, 2014		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
General Obligation Bonds	\$ 3,280,000	\$ -	\$ 3,280,000	\$ 3,515,000	\$ -	\$ 3,515,000
Revenue Bonds	-	71,365,000	71,365,000	-	74,705,000	74,705,000
Notes Payable	54,250	-	54,250	75,250	-	75,250
<b>Total</b>	<b>\$ 3,334,250</b>	<b>\$ 71,365,000</b>	<b>\$ 74,699,250</b>	<b>\$ 3,590,250</b>	<b>\$ 74,705,000</b>	<b>\$ 78,295,250</b>

The City's total debt decreased by \$3,596,000 (4.6 percent). The City continues to pay down bonded indebtedness. The City maintains an AA(-) bond rating. Additional information on the City'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, 2015

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#### Economic Factors and Next Year's Budgets and Rates

- The City Council again approved a two-year budget for 2016 and 2017.
- Property tax assessment for the year ending September 30, 2015 is \$4,621,347, which is 0.9 percent higher than the assessment for the year ended September 30, 2014, due primarily to flat property values within city limits. In prior years, the City Council had imposed property taxes in anticipation of the costs related to defending and implementing a citizen-initiated ordinance. Litigation has been resolved leaving a balance of unspent funds. This unspent balance has been committed by the City Council for enforcement and construction of Fremont levee. The City Council committed \$1,924,070 at September 30, 2015 for this purpose.
- Health care claims were reviewed and management increased the employer and employee contributions to the self-funded City Employee Insurance Fund and the Work Compensation Fund to cover the increased claims experience. Department budgets will be impacted by \$1,006,000.
- The City Council enacted a new 1.75 percent occupation tax on food and beverage sales in the City, effective October 1, 2015.
- The Air Quality Control System at the power plant will begin operations in 2016, with an expected first year cost of \$900,000.
- 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):
  - Balance of emissions control improvements to electric system - \$7,200,000.
  - Waste water treatment plant improvements - \$7,000,000
  - Additional electrical transmission line - \$4,150,000
  - Trickling filter media replacement (WWTP) - \$1,000,000
  - Renovate/remodel City auditorium (grant based) - \$2,750,000
  - Aerial fire truck - \$1,000,000.
  - 23<sup>rd</sup> Street and Linden Ave. Railroad viaduct & pedestrian overpass project - \$4,392,000
  - Fremont levee - \$3,223,000
  - Various citywide paving and resurfacing projects - \$2,947,000
  - Trails projects- \$1,503,000

The City Council approved a four percent increase in rates for the Electric Fund effective November 2015, with another four percent increase going into effect November 2016. An increase in Sewer Fund rates effective November 2016 is expected to generate an additional \$260,000 in revenue. An increase in Water Fund rates effective November 2015 is expected to generate an additional \$128,000 in revenue in the 2016 fiscal year.

All of these factors were considered in preparing the City's budget for the 2016 and 2017 fiscal years.

#### Request for Information

This financial report is designed to provide a general overview of the City'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, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 18,039,214	\$ 15,438,911	\$ 33,478,125
Investments	21,230,773	18,275,577	39,506,350
County treasurer cash	201,757	-	201,757
Receivables:			
Special assessments	452,461	-	452,461
Accounts, net of allowance for doubtful accounts	329,427	2,177,898	2,507,325
Unbilled revenue	176,963	3,446,334	3,623,297
Interest	101,717	171,684	273,401
Property tax	175,706	-	175,706
Other tax	259,977	-	259,977
Receivable/payable to other funds	(59,989)	59,989	-
Due from other governments	1,202,768	-	1,202,768
Inventory	-	9,275,205	9,275,205
Prepaid expenses	249,069	212,431	461,500
Total current assets	<u>42,359,843</u>	<u>49,058,029</u>	<u>91,417,872</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	7,929,019	7,929,019
Restricted investments	-	8,923,223	8,923,223
TIF notes receivable	691,690	-	691,690
Notes receivable, net of allowance	2,252,692	-	2,252,692
Unamortized bond discount	5,845	153,414	159,259
Unamortized bond insurance	-	98,922	98,922
Capital assets:			
Land	8,085,378	4,237,456	12,322,834
Construction in progress	3,432,904	51,101,373	54,534,277
Other capital assets, net of depreciation	34,390,823	106,376,405	140,767,228
Net capital assets	<u>45,909,105</u>	<u>161,715,234</u>	<u>207,624,339</u>
Total noncurrent assets	<u>48,859,332</u>	<u>178,819,812</u>	<u>227,679,144</u>
<b>Total assets</b>	<u>91,219,175</u>	<u>227,877,841</u>	<u>319,097,016</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,027,501	5,204,809	6,232,310
Claims liability	468,096	4,634	472,730
Accrued expenses	916,428	1,918,637	2,835,065
Due to other governments	766	-	766
Unearned revenues	3,600	516,365	519,965
Customer deposits	-	459,671	459,671
Current portion of long-term obligations	266,000	3,360,000	3,626,000
Total current liabilities	<u>2,682,391</u>	<u>11,464,116</u>	<u>14,146,507</u>
Noncurrent liabilities:			
TIF notes payable	450,066	-	450,066
Compensated absences	571,817	744,316	1,316,133
Unamortized bond premium	-	2,095,023	2,095,023
Fly ash liability/closure costs payable	-	249,428	249,428
Noncurrent portion of long-term obligations	3,068,250	68,005,000	71,073,250
Total noncurrent liabilities	<u>4,090,133</u>	<u>71,093,767</u>	<u>75,183,900</u>
<b>Total liabilities</b>	<u>6,772,524</u>	<u>82,557,883</u>	<u>89,330,407</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net investment in capital assets	42,580,700	79,951,724	122,532,424
Restricted for:			
Debt service	110,790	8,456,903	8,567,693
Fly ash disposal	-	250,572	250,572
Street improvements	9,357,473	-	9,357,473
Federal grant programs	925,436	-	925,436
Other purposes	18,077,326	-	18,077,326
Unrestricted	13,394,926	56,660,759	70,055,685
<b>Total net position</b>	<u>\$ 84,446,651</u>	<u>\$ 145,319,958</u>	<u>\$ 229,766,609</u>

See notes to financial statements.

**CITY OF FREMONT, NEBRASKA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 4,383,860	\$ 1,166,503	\$ 210,286	\$ -	\$ (3,007,071)		\$ (3,007,071)
Public safety	8,187,773	1,350,827	180,203	-	(6,656,743)		(6,656,743)
Public works	3,317,388	312,299	319,697	753,666	(1,931,726)		(1,931,726)
Environment and leisure	3,111,372	627,051	26,029	1,800	(2,456,492)		(2,456,492)
Non-departmental	223,616	-	-	-	(223,616)		(223,616)
Interest on long-term debt	85,978	-	-	-	(85,978)		(85,978)
Depreciation and amortization	1,874,794	-	-	-	(1,874,794)		(1,874,794)
Total governmental activities	<u>21,184,781</u>	<u>3,456,680</u>	<u>736,215</u>	<u>755,466</u>	<u>(16,236,420)</u>		<u>(16,236,420)</u>
<b>Business-type activities:</b>							
Electric	29,696,506	36,247,090	-	-	-	\$ 6,550,584	6,550,584
Water	2,630,920	3,134,033	-	169,537	-	672,650	672,650
Sewer	3,966,334	5,227,471	-	158,296	-	1,419,433	1,419,433
Gas	12,697,612	13,927,053	-	-	-	1,229,441	1,229,441
Total business-type activities	<u>48,991,372</u>	<u>58,535,647</u>	<u>-</u>	<u>327,833</u>	<u>-</u>	<u>9,872,108</u>	<u>9,872,108</u>
<b>Total primary government</b>	<u>\$ 70,176,153</u>	<u>\$ 61,992,327</u>	<u>\$ 736,215</u>	<u>\$ 1,083,299</u>	<u>(16,236,420)</u>	<u>9,872,108</u>	<u>(6,364,312)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property					4,537,807	-	4,537,807
Motor vehicle					496,452	-	496,452
TIF payments					226,904	-	226,904
Sales tax					6,192,744	-	6,192,744
Payments in lieu of taxes					9,454	-	9,454
Franchise					236,274	-	236,274
Other taxes					1,215,685	-	1,215,685
State allocation					3,313,517	-	3,313,517
Keno					585,538	-	585,538
Special assessments					(1,246)	-	(1,246)
Miscellaneous					47,813	-	47,813
Interest income					166,069	325,229	491,298
Loss on sale of assets					43,200	(145,634)	(102,434)
Transfer (to) from other funds					3,207,398	(3,207,398)	-
Total general revenues					<u>20,277,609</u>	<u>(3,027,803)</u>	<u>17,249,806</u>
Change in net position					4,041,189	6,844,305	10,885,494
Net position - September 30, 2014					80,405,462	138,475,653	218,881,115
Net position - September 30, 2015					<u>\$ 84,446,651</u>	<u>\$ 145,319,958</u>	<u>\$ 229,766,609</u>

See notes to financial statements

**CITY OF FREMONT, NEBRASKA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	General	Street	Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,900,476	\$ 2,710,457	\$ 6,162,628	\$ 2,204,570	\$ 16,978,131
Investments	5,370,773	2,350,000	10,240,000	1,770,000	19,730,773
County treasurer cash	146,249	44,107	-	11,401	201,757
Receivables:					
Special assessments	27,838	25,366	-	399,257	452,461
Accounts, net of allowance for doubtful accounts	289,654	9,140	-	30,633	329,427
Notes receivable, net of allowance for doubtful accounts	9,973	-	1,013,333	1,229,386	2,252,692
Interest	4,020	16,139	38,087	26,246	84,492
Property tax	166,564	-	-	9,142	175,706
Business tax	145,373	-	-	30,341	175,714
Other tax	-	259,977	-	-	259,977
TIF bonds receivable	-	-	-	691,690	691,690
Due from other governments	32,791	-	1,034,291	135,686	1,202,768
Due from other funds	647,854	223,610	137,698	122,486	1,131,648
Prepaid expenses	210,574	32,982	-	5,513	249,069
<b>Total assets</b>	<b>\$ 12,952,139</b>	<b>\$ 5,671,778</b>	<b>\$ 18,626,037</b>	<b>\$ 6,666,351</b>	<b>\$ 43,916,305</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 252,322	\$ 130,026	\$ 600,000	\$ 45,055	\$ 1,027,403
Accrued expenses	744,744	109,728	-	61,956	916,428
Due to other governments	766	-	-	-	766
Due to other funds	173,805	5,100	240,654	772,078	1,191,637
TIF bond payable	-	-	-	450,066	450,066
Advanced revenue	-	-	-	-	-
Unearned revenue	-	-	-	3,600	3,600
<b>Total liabilities</b>	<b>1,171,637</b>	<b>244,854</b>	<b>840,654</b>	<b>1,332,755</b>	<b>3,589,900</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	123,214	-	-	5,848	129,062
Unavailable revenue - other local taxes	27,838	24,880	-	279,268	331,986
Unavailable revenue - fees and other	103,355	22,745	-	70,256	196,356
Unavailable revenue - notes	-	-	-	379,714	379,714
<b>Total deferred inflows</b>	<b>254,407</b>	<b>47,625</b>	<b>-</b>	<b>735,086</b>	<b>1,037,118</b>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Permanent fund principal	-	-	-	125,000	125,000
Prepaid expenses	210,574	32,982	-	-	243,556
Notes receivable	9,973	-	1,013,333	1,139,386	2,162,692
Restricted for:					
Debt service	-	-	-	110,790	110,790
Street improvements	-	5,346,317	3,963,531	-	9,309,848
Public safety	-	-	1,832,307	52,685	1,884,992
Infrastructure	-	-	5,309,294	-	5,309,294
Property tax relief	-	-	808,511	-	808,511
Economic development	-	-	4,858,407	195,668	5,054,075
Capital/special projects	-	-	-	2,332,244	2,332,244
Federal programs	-	-	-	19,368	19,368
Community betterment	-	-	-	604,852	604,852
Community development block grant	-	-	-	126,682	126,682
Committed for:					
Code enforcement/defense	1,924,070	-	-	-	1,924,070
Assigned for:					
Other	-	-	-	189,816	189,816
Unassigned	9,381,478	-	-	(297,981)	9,083,497
<b>Total fund balances</b>	<b>11,526,095</b>	<b>5,379,299</b>	<b>17,785,383</b>	<b>4,598,510</b>	<b>39,289,287</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 12,952,139</b>	<b>\$ 5,671,778</b>	<b>\$ 18,626,037</b>	<b>\$ 6,666,351</b>	<b>\$ 43,916,305</b>

See notes to financial statements

**CITY OF FREMONT, NEBRASKA**  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

**Total fund balances - governmental funds** \$ 39,289,287

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 \$69,350,879, and the accumulated depreciation is \$23,441,774. 45,909,105

Unamortized bond discounts are not financial resources and, therefore, are not reported as assets in governmental funds. 5,845

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. 2,111,363

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are deferred 1,037,118

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	\$	(571,817)	
Bonds and notes payable		(3,334,250)	(3,906,067)

**Total net position - governmental activities** \$ 84,446,651

**CITY OF FREMONT, NEBRASKA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes:					
Property	\$ 4,217,797	\$ -	\$ -	\$ 320,236	\$ 4,538,033
Motor vehicle	-	496,452	-	-	496,452
TIF payments	-	-	-	226,904	226,904
Sales tax	-	-	6,192,744	-	6,192,744
Payments in lieu of taxes	8,789	-	-	665	9,454
Franchise	236,274	-	-	-	236,274
Business	1,094,289	-	-	120,234	1,214,523
Intergovernmental	862,780	2,905,097	-	1,030,506	4,798,383
Keno	-	-	-	585,538	585,538
Charges for services	2,471,047	48,419	37,054	266,734	2,823,254
Donations	29,155	-	-	-	29,155
Interest income	26,156	21,070	59,529	44,433	151,188
Other income	59,233	33,206	20,142	11,233	123,814
Total revenues	<u>9,005,520</u>	<u>3,504,244</u>	<u>6,309,469</u>	<u>2,606,483</u>	<u>21,425,716</u>
<b>EXPENDITURES</b>					
General government	3,926,753	-	16,777	483,165	4,426,695
Public safety	7,075,109	-	-	1,084,882	8,159,991
Public works	458,147	3,519,995	-	9,553	3,987,695
Environment and leisure	3,103,927	-	-	207,223	3,311,150
Employee insurance	223,616	-	-	-	223,616
Principal payments on debt	-	-	-	256,000	256,000
Interest on long-term debt	-	-	-	85,978	85,978
Total expenditures	<u>14,787,552</u>	<u>3,519,995</u>	<u>16,777</u>	<u>2,126,801</u>	<u>20,451,125</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(5,782,032)</u>	<u>(15,751)</u>	<u>6,292,692</u>	<u>479,682</u>	<u>974,591</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	6,557,145	642,831	-	172,525	7,372,501
Transfers out	(69,584)	-	(3,446,917)	(648,602)	(4,165,103)
Net other sources and uses	<u>6,487,561</u>	<u>642,831</u>	<u>(3,446,917)</u>	<u>(476,077)</u>	<u>3,207,398</u>
<b>Net change in fund balances</b>	705,529	627,080	2,845,775	3,605	4,181,989
Fund balances - September 30, 2014	<u>10,820,566</u>	<u>4,752,219</u>	<u>14,939,608</u>	<u>4,594,905</u>	<u>35,107,298</u>
Fund balances - September 30, 2015	<u>\$ 11,526,095</u>	<u>\$ 5,379,299</u>	<u>\$ 17,785,383</u>	<u>\$ 4,598,510</u>	<u>\$ 39,289,287</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, 2015

<b>Total net change in fund balances - governmental funds</b>	\$ 4,181,989
Amounts reported for governmental activities 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 (\$1,045,355) and capital lease principal payments (\$0) exceed depreciation expense (\$1,874,254) and disposal of capital assets (\$4,616) in the period.	(833,515)
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.	3,587
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.	(942)
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.	(141,748)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount that contributions of capital assets (\$753,666) exceeded the change in deferred inflows in the governmental funds (\$177,308)	576,358
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>256,000</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 4,041,189</u></u>

See notes to financial statements

**CITY OF FREMONT, NEBRASKA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2015**

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 8,375,564	\$ 1,284,837	\$ 1,949,116	\$ 3,829,394	\$ 15,438,911	\$ 1,061,083
Investments	11,268,892	-	4,057,870	2,948,815	18,275,577	1,500,000
Receivables:						
Accounts, net of allowance for doubtful accounts	1,502,846	254,415	153,748	266,889	2,177,898	-
Unbilled revenue	2,239,876	240,680	426,810	538,968	3,446,334	1,249
Due from other funds	51,909	5,076	1,632	1,680	60,297	-
Due from other governments	-	-	-	-	-	-
Interest	125,828	4,795	21,219	19,842	171,684	17,225
Inventory	7,520,974	305,790	141,654	1,306,787	9,275,205	-
Prepaid expenses	98,128	29,311	37,045	47,947	212,431	-
Total current assets	<u>31,184,017</u>	<u>2,124,904</u>	<u>6,789,094</u>	<u>8,960,322</u>	<u>49,058,337</u>	<u>2,579,557</u>
Noncurrent assets:						
Restricted cash and cash equivalents	7,895,339	33,680	-	-	7,929,019	-
Restricted investments	7,679,908	875,000	317,130	51,185	8,923,223	-
Unamortized bond discount	129,762	12,522	9,190	1,940	153,414	-
Unamortized bond insurance	66,576	17,632	12,335	2,379	98,922	-
Capital assets:						
Land	2,086,695	1,890,618	143,803	116,340	4,237,456	-
Construction in progress	50,803,793	210,726	14,754	72,100	51,101,373	-
Depreciable capital assets	140,340,858	39,503,983	50,190,820	15,657,857	245,693,518	-
Less accumulated depreciation	(90,168,587)	(15,417,313)	(23,373,945)	(10,357,268)	(139,317,113)	-
Net capital assets	<u>103,062,759</u>	<u>26,188,014</u>	<u>26,975,432</u>	<u>5,489,029</u>	<u>161,715,234</u>	<u>-</u>
Total noncurrent assets	<u>118,834,344</u>	<u>27,126,848</u>	<u>27,314,087</u>	<u>5,544,533</u>	<u>178,819,812</u>	<u>-</u>
<b>Total assets</b>	<u>150,018,361</u>	<u>29,251,752</u>	<u>34,103,181</u>	<u>14,504,855</u>	<u>227,878,149</u>	<u>2,579,557</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total deferred outflows of resources	-	-	-	-	-	-
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	4,312,655	49,358	58,363	784,433	5,204,809	98
Due to other funds	308	-	-	-	308	-
Accrued payroll and vacation	782,505	43,225	90,282	125,907	1,041,919	-
Sales tax payable	210,627	564	-	182	211,373	-
Accrued interest payable	626,339	33,268	4,819	919	665,345	-
Unearned revenue	516,365	-	-	-	516,365	-
Customer deposits	458,846	825	-	-	459,671	-
Claims liability	4,634	-	-	-	4,634	468,096
Current portion of long-term obligations	2,462,921	582,054	279,695	35,330	3,360,000	-
Total current liabilities	<u>9,375,200</u>	<u>709,294</u>	<u>433,159</u>	<u>946,771</u>	<u>11,464,424</u>	<u>468,194</u>
Noncurrent liabilities:						
Fly ash liability	249,428	-	-	-	249,428	-
Compensated absences	502,280	42,939	44,749	154,348	744,316	-
Unamortized bond premium	2,044,035	50,713	275	-	2,095,023	-
Noncurrent portion of long-term obligations	59,192,025	6,350,228	2,107,449	355,298	68,005,000	-
Total noncurrent liabilities	<u>61,987,768</u>	<u>6,443,880</u>	<u>2,152,473</u>	<u>509,646</u>	<u>71,093,767</u>	<u>-</u>
<b>Total liabilities</b>	<u>71,362,968</u>	<u>7,153,174</u>	<u>2,585,632</u>	<u>1,456,417</u>	<u>82,558,191</u>	<u>468,194</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Total deferred inflows of resources	-	-	-	-	-	-
<b>NET POSITION</b>						
Net investment in capital assets	32,313,633	18,308,862	24,280,073	5,049,156	79,951,724	-
Restricted for:						
Debt service	7,179,908	908,680	317,130	51,185	8,456,903	-
Fly ash disposal	250,572	-	-	-	250,572	-
Unrestricted	38,911,280	2,881,036	6,920,346	7,948,097	56,660,759	2,111,363
<b>Total net position</b>	<u>\$ 78,655,393</u>	<u>\$ 22,098,578</u>	<u>\$ 31,517,549</u>	<u>\$ 13,048,438</u>	<u>\$ 145,319,958</u>	<u>\$ 2,111,363</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, 2015**

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
<b>Operating revenues:</b>						
Charges for services	\$ 36,125,875	\$ 3,032,233	\$ 5,183,013	\$ 13,927,053	\$ 58,268,174	\$ 4,641,274
Contributions from other funds	-	-	-	-	-	1,656,296
Other revenue	121,215	101,800	44,458	-	267,473	-
Total operating revenues	<u>36,247,090</u>	<u>3,134,033</u>	<u>5,227,471</u>	<u>13,927,053</u>	<u>58,535,647</u>	<u>6,297,570</u>
<b>Operating expenses:</b>						
Cost of power/gas	2,345,472	-	-	9,899,488	12,244,960	-
Production	17,956,890	355,479	1,709,719	-	20,022,088	-
Distribution	2,517,198	643,730	359,230	1,345,949	4,866,107	-
Customer accounting and collections	1,629,776	495,538	525,203	1,005,210	3,655,727	-
Administrative and general	(8,172)	1,269	340	(35,084)	(41,647)	5,195
Employee insurance	-	-	-	-	-	5,722,563
Workers' compensation	-	-	-	-	-	582,983
Depreciation	3,085,551	919,964	1,284,125	469,516	5,759,156	-
Amortization	(109,009)	(2,283)	2,262	411	(108,619)	-
Total operating expenses	<u>27,417,706</u>	<u>2,413,697</u>	<u>3,880,879</u>	<u>12,685,490</u>	<u>46,397,772</u>	<u>6,310,741</u>
Operating income (loss)	<u>8,829,384</u>	<u>720,336</u>	<u>1,346,592</u>	<u>1,241,563</u>	<u>12,137,875</u>	<u>(13,171)</u>
<b>Nonoperating revenues (expenses):</b>						
Interest income	255,023	8,153	30,811	31,242	325,229	16,758
Interest expense	(2,252,660)	(190,888)	(70,680)	(12,122)	(2,526,350)	-
Bond issuance costs	(26,140)	(26,335)	(14,775)	-	(67,250)	-
Gain (loss) on sale of assets	(106,936)	1,820	(5,618)	(34,900)	(145,634)	-
Contributed capital	-	169,537	158,296	-	327,833	-
Total nonoperating revenues (expenses)	<u>(2,130,713)</u>	<u>(37,713)</u>	<u>98,034</u>	<u>(15,780)</u>	<u>(2,086,172)</u>	<u>16,758</u>
Income (loss) before interfund transfers	<u>6,698,671</u>	<u>682,623</u>	<u>1,444,626</u>	<u>1,225,783</u>	<u>10,051,703</u>	<u>3,587</u>
<b>Interfund transfers:</b>						
Transfer from other funds	69,584	108,410	86,888	-	264,882	-
Transfer to other funds	(2,426,410)	(150,000)	(150,000)	(745,870)	(3,472,280)	-
Net transfers	<u>(2,356,826)</u>	<u>(41,590)</u>	<u>(63,112)</u>	<u>(745,870)</u>	<u>(3,207,398)</u>	<u>-</u>
<b>Change in net position</b>	<u>4,341,845</u>	<u>641,033</u>	<u>1,381,514</u>	<u>479,913</u>	<u>6,844,305</u>	<u>3,587</u>
Net position - September 30, 2014	<u>74,313,548</u>	<u>21,457,545</u>	<u>30,136,035</u>	<u>12,568,525</u>	<u>138,475,653</u>	<u>2,107,776</u>
Net position - September 30, 2015	<u>\$ 78,655,393</u>	<u>\$ 22,098,578</u>	<u>\$ 31,517,549</u>	<u>\$ 13,048,438</u>	<u>\$ 145,319,958</u>	<u>\$ 2,111,363</u>

See notes to financial statements.

**CITY OF FREMONT, NEBRASKA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers	\$ 36,155,164	\$ 3,050,421	\$ 5,241,603	\$ 13,945,701	\$ 58,392,889	\$ -
Receipts from other funds	-	-	-	-	-	6,302,076
Payments to suppliers	(14,923,334)	(563,034)	(1,216,637)	(9,753,475)	(26,456,480)	(6,234,470)
Payments to employees	(8,737,087)	(974,690)	(1,441,938)	(1,935,452)	(13,089,167)	-
Net cash provided (used) by operating activities	<u>12,494,743</u>	<u>1,512,697</u>	<u>2,583,028</u>	<u>2,256,774</u>	<u>18,847,242</u>	<u>67,606</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers from other funds	69,584	108,410	86,888	-	264,882	-
Transfers to other funds	(2,426,410)	(150,000)	(150,000)	(745,870)	(3,472,280)	-
Interfund loans	(12,242)	(782)	(31)	(252)	(13,307)	-
Net cash provided (used) by noncapital financing activities	<u>(2,369,068)</u>	<u>(42,372)</u>	<u>(63,143)</u>	<u>(746,122)</u>	<u>(3,220,705)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Purchase of property and equipment	(32,265,941)	(763,258)	(614,810)	(363,437)	(34,007,446)	-
Proceeds from capital grant	48,496	-	-	-	48,496	-
Proceeds from issuance of capital debt, (net of issuance costs)	2,065,066	2,080,473	1,167,211	-	5,312,750	-
Principal payments on capital debt	(4,562,466)	(2,670,094)	(1,452,777)	(34,663)	(8,720,000)	-
Interest paid on capital debt	(2,198,901)	(197,320)	(74,182)	(12,162)	(2,482,565)	-
Increase (decrease) in fly ash liability	(13,671)	-	-	-	(13,671)	-
Net cash provided (used) by capital and related financing activities	<u>(36,927,417)</u>	<u>(1,550,199)</u>	<u>(974,558)</u>	<u>(410,262)</u>	<u>(39,862,436)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
(Increase) decrease in investments	29,751,895	-	(2,775,000)	-	26,976,895	-
Interest received on investments	277,132	6,984	30,360	43,239	357,715	1,608
Net cash provided (used) by investing activities	<u>30,029,027</u>	<u>6,984</u>	<u>(2,744,640)</u>	<u>43,239</u>	<u>27,334,610</u>	<u>1,608</u>
Increase (decrease) in cash and cash equivalents	3,227,285	(72,890)	(1,199,313)	1,143,629	3,098,711	69,214
Cash and cash equivalents - beginning of the year	<u>13,043,618</u>	<u>1,391,407</u>	<u>3,148,429</u>	<u>2,685,765</u>	<u>20,269,219</u>	<u>991,869</u>
Cash and cash equivalents - end of the year	<u>\$ 16,270,903</u>	<u>\$ 1,318,517</u>	<u>\$ 1,949,116</u>	<u>\$ 3,829,394</u>	<u>\$ 23,367,930</u>	<u>\$ 1,061,083</u>
<b>Composition of cash and cash equivalents:</b>						
Cash and cash equivalents	\$ 8,375,564	\$ 1,284,837	\$ 1,949,116	\$ 3,829,394	\$ 15,438,911	\$ 1,061,083
Restricted cash and cash equivalents	7,895,339	33,680	-	-	7,929,019	-
Total cash and cash equivalents	<u>\$ 16,270,903</u>	<u>\$ 1,318,517</u>	<u>\$ 1,949,116</u>	<u>\$ 3,829,394</u>	<u>\$ 23,367,930</u>	<u>\$ 1,061,083</u>

CITY OF FREMONT, NEBRASKA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, Continued

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 8,829,384	\$ 720,336	\$ 1,346,592	\$ 1,241,563	\$ 12,137,875	\$ (13,171)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	3,085,551	919,964	1,284,125	469,516	5,759,156	-
Amortization expense	(109,009)	(2,283)	2,262	411	(108,619)	-
Change in assets and liabilities:						
Accounts receivable and unbilled revenue	(206,173)	(83,612)	14,132	18,648	(257,005)	4,506
Inventories	(607,114)	(552)	(2,709)	351,870	(258,505)	-
Prepaid expenses	86,645	(9,877)	(17,611)	(6,944)	52,213	-
Accounts payable	1,164,424	(39,481)	(53,013)	155,761	1,227,691	3
Accrued payroll and vacation	164,969	6,896	8,142	22,058	202,065	-
Accrued compensated absences	(27,824)	768	1,108	3,894	(22,054)	-
Other accrued expenses	(357)	538	-	(3)	178	-
Customer deposits	113,157	-	-	-	113,157	-
Claims liability	1,090	-	-	-	1,090	76,268
Net cash provided (used) by operating activities	<u>\$ 12,494,743</u>	<u>\$ 1,512,697</u>	<u>\$ 2,583,028</u>	<u>\$ 2,256,774</u>	<u>\$ 18,847,242</u>	<u>\$ 67,606</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, 2015**

**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 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, 2015**

**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, 2015**

**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, and Gas	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:	
Paving and Sidewalk Districts	Accounts for the collection of special assessments on various paving and sidewalk districts.
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, 2015**

**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 bequests with restricted uses that the City receives.
Keno Fund	Accounts for the City's share of the Keno gaming proceeds.
CDBG Fund	Accounts for revolving loans funded by the Community Development Block Grant (CDBG) program.
Weatherization EDA (HUD)	Accounts for weatherization revolving loans funded by U.S. Department of Housing and Urban Development (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. 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 City.

# CITY OF FREMONT, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015

### 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 60 days of the end of the fiscal period. Property taxes, sales taxes, occupation taxes, franchise taxes, licenses, and interest 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, 2015

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 CDBG program 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	\$ 32,791	SRO reimbursement/ Grant reimbursement/ Library Commission payments
Sales tax	1,034,291	Sales Tax
Debt Service	166	Grant reimbursement
CDBG	64,080	Grant reimbursement
Wireless 911	7,307	Grant reimbursement
Enhanced 911	<u>64,133</u>	Grant reimbursement
Total	<u>\$1,202,768</u>	

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

**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, 2015

### 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 and the Balance Sheet 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 and the Balance Sheet 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 in the fund financial statement: (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, 45 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 financial 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 payable and a liability for fly ash disposal.

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

**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 investment 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, net of issuance premiums or discounts, that are attributable to the acquisition, construction, or improvement of those assets. The portion of debt attributable to unspent debt proceeds is not included in the calculation of net investment in capital 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 investment 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, 2015**

**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, 2015**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**5. Revenues, Expenditures, and Expenses, Continued**

**Property Taxes, Continued**

Property taxes levied for 2014-2015 are recorded as revenue when expected to be collected within 60 days after September 30, 2015. 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, 2015**

**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. A change in the state budget act allowed the City to adopt a two-year budget (fiscal years 2013-2014 and 2014-2015) in September 2013.

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, 2015**

**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 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, 2015, 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	\$ 33,478,125
Restricted	7,929,019
Investments –	
Unrestricted	39,506,350
Restricted	<u>8,923,223</u>
Total	<u>\$ 89,836,717</u>

The majority of the business-type restricted assets, \$7,895,339, relates to bond proceeds for a construction project, as well as \$8,456,903 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, 2015**

**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 (58.0 percent), waste transfer station (16.6 percent), cable franchise tax (13.6 percent), Keno proceeds (5.7 percent), and other (5.9 percent) receivables. Receivables detailed at September 30, 2015, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Accounts receivable	\$ 428,782	\$ 2,727,074	\$ 3,155,856
Allowance for doubtful accounts	<u>(99,355)</u>	<u>(549,176)</u>	<u>(648,531)</u>
Net accounts receivable	<u>\$ 329,427</u>	<u>\$ 2,177,898</u>	<u>\$ 2,507,325</u>

**3. Notes Receivable**

Notes receivable at September 30, 2015, 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. \$ 9,973

Sales Tax Fund:

LB840 Notes Receivable –

\$100,000 note issued June 19, 2015 to Sycamore Leaf Solutions. The non-interest-bearing loan is performance based for a period of five years. 100,000

\$200,000 note issued May 13, 2015 to Structural Component Systems. The non-interest-bearing loan is due in 60 monthly installments of \$3,333.33 commencing December 1, 2015 through November 1, 2020. 200,000

\$400,000 note issued May 13, 2015 to Structural Component Systems. The non-interest-bearing loan is performance based. 400,000

\$300,000 note issued May 13, 2014 to Fremont Beef Company. The non-interest-bearing loan is performance based. 300,000

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

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

**3. Notes Receivable, Continued**

\$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. \$ 13,333

Total LB840 Notes Receivable 1,013,333

Economic Enhancement Fund:

\$10,000 note receivable issued October 29, 2014 to McGinn Holdings, LLC. The performance-based loan at zero percent interest is forgivable over the three-year life of the loan based on certain criteria. 10,000

\$300,000 note receivable issued May 13, 2014 to Fremont Beef Company. The performance-based loan at zero percent interest is forgivable over the five-year life of the loan based on certain criteria. 300,000

\$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 with 50% forgiven at the end of year 2 with creation of 3 full-time jobs. 50,000

Total Economic Enhancement Fund notes receivable 360,000

CDBG Fund:

\$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. 66,667

\$100,000 note receivable issued November 8, 2011 to Ready Tech Go. The note is non-interest-bearing and is due in 60 monthly installments of \$1,667 commencing December 1, 2011 through November 1, 2016. 23,333

Total CDBG Fund notes receivable 90,000

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

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

**3. Notes Receivable, Continued**

Weatherization EDA (HUD) Fund:

<p>\$15,401 note receivable issued during the year ended September 30, 2015 to one Fremont business under CDBG weatherization loans.</p>	<p>\$ 15,401</p>
<p>\$77,834 note receivables issued during the year ended September 30, 2015 to five 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>73,745</p>
<p>\$31,251 note receivables issued during the year ended September 30, 2014 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. An additional \$18,611 receivable was added in the year ended September 30, 2015.</p>	<p>44,662</p>
<p>\$10,994 note receivables issued during the year ended September 30, 2014 to two Fremont residents under CDBG weatherization loans. The loan bears interest at one percent and is repayable in 240 monthly installments of \$51.</p>	<p>10,494</p>
<p>\$24,401 note receivables issued during the year ended September 30, 2014 to a Fremont resident 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>21,554</p>
<p>\$50,000 notes receivables issued during the year ended September 30, 2014 to two Fremont residents under CDBG weatherization loans. The loans will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period.</p>	<p>32,917</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>92,189</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>30,563</p>

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

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

**3. Notes Receivable, Continued**

Weatherization EDA (HUD) Fund:

<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>\$ 16,042</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>22,731</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>45,411</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>8,058</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>32,255</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>28,441</p>
<p>\$11,547 note receivable to a resident of Fremont under two CDBG weatherization loans dated April 9, 2009. The loans are non-interest-bearing and will be forgiven 10 percent per year over a 10-year period.</p>	<p>4,234</p>
<p>\$20,000 note receivable issued October 9, 2008 to two residents of Fremont under a CDBG weatherization loan. The loan is non-interest-bearing and will be forgiven 10 percent per year over a 10-year period.</p>	<p>6,666</p>

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

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

**3. Notes Receivable, Continued**

Weatherization EDA (HUD) Fund, Continued:

\$18,885 note receivable issued during the year ended September 30, 2008 to a resident of Fremont under a CDBG weatherization loan. Fifty percent of the loan is non-interest-bearing and is forgivable over a 10-year period, with the remaining 50 percent bearing interest at two percent. The repayable portion (\$9,423) is due in 120 monthly installments commencing September 1, 2007 through August 1, 2017. \$ 3,774

\$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. 3,690

\$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. 410

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. 25,749

Downtown Revitalization Loans (Inc. in Weatherization Fund)

\$325,500 notes receivables issued during the year ended September 30, 2014 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. 260,400

Total Weatherization Fund notes receivable 779,386

Total notes receivable 2,252,692

Allowance for doubtful accounts -

Net notes receivable \$ 2,252,692

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

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

**4. Capital Assets**

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance at October 1, <u>2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclass</u>	Balance at September 30, <u>2015</u>
<b><u>Governmental Activities:</u></b>					
Capital assets not being depreciated:					
Land	\$ 7,926,934	\$ -	\$ (4,616)	\$ 163,060	\$ 8,085,378
Construction in progress	<u>5,884,273</u>	<u>606,768</u>	<u>-</u>	<u>(3,058,137)</u>	<u>3,432,904</u>
Total capital assets not being depreciated	<u>13,811,207</u>	<u>606,768</u>	<u>(4,616)</u>	<u>(2,895,077)</u>	<u>11,518,282</u>
Other capital assets being depreciated:					
Infrastructure	29,464,154	847,730	-	2,249,523	32,561,407
Buildings and improvements	16,493,196	21,975	(5,407)	105,033	16,614,797
Machinery and equipment	<u>7,815,020</u>	<u>322,549</u>	<u>(21,697)</u>	<u>540,521</u>	<u>8,656,393</u>
Total other capital assets at historical cost	<u>53,772,370</u>	<u>1,192,254</u>	<u>(27,104)</u>	<u>2,895,077</u>	<u>57,832,597</u>
Less accumulated depreciation for:					
Infrastructure	(9,200,797)	(841,948)	-	-	(10,042,745)
Buildings and improvements	(7,175,045)	(301,489)	5,407	-	(7,471,127)
Machinery and equipment	<u>(5,218,782)</u>	<u>(730,817)</u>	<u>21,697</u>	<u>-</u>	<u>(5,927,902)</u>
Total accumulated depreciation	<u>(21,594,624)</u>	<u>(1,874,254)</u>	<u>27,104</u>	<u>-</u>	<u>(23,441,774)</u>
Other capital assets, net	<u>32,177,746</u>	<u>(682,000)</u>	<u>-</u>	<u>2,895,077</u>	<u>34,390,823</u>
Governmental activities capital assets, net	<u>\$45,988,953</u>	<u>\$ (75,232)</u>	<u>\$ (4,616)</u>	<u>\$ -</u>	<u>\$ 45,909,105</u>

\* Depreciation expense was incurred by the following governmental activities:

General Fund

General government	<u>\$ 80,819</u>
Public safety:	
Police	92,703
Fire	94,668
Civil defense	740
Protective inspections	<u>5,287</u>
Total public safety	<u>193,398</u>

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

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

**4. Capital Assets, Continued**

General Fund, Continued

Public works:	
Civil Engineering	<u>\$ 94,682</u>
Environment and leisure:	
Culture and recreation	<u>513,002</u>
Total General Fund	881,901

Street Fund

Public Works	730,948
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Airport Fund

Environment and leisure	198,493
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E911 Fund

Public Safety	<u>62,912</u>
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Total governmental activities depreciation expense	<u>\$ 1,874,254</u>
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**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

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

**4. Capital Assets, Continued**

	Balance at October 1, <u>2014</u>	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2015</u>
<b><u>Business-type Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 4,237,456	\$ -	\$ -	\$ 4,237,456
Construction in progress	21,423,860	29,677,513	-	51,101,373
Total capital assets not being depreciated	<u>25,661,316</u>	<u>29,677,513</u>	<u>-</u>	<u>55,338,829</u>
Other capital assets being depreciated:				
Distribution systems, buildings, and equipment	219,911,261	3,819,727	(140,249)	223,590,739
Machinery and equipment	15,574,299	173,021	(2,510)	15,744,810
Office furniture and equipment	2,055,453	148,241	(3,199)	2,200,495
Vehicles	3,814,301	393,671	(50,498)	4,157,474
Total other capital assets at historical cost	<u>241,355,314</u>	<u>4,534,660</u>	<u>(196,456)</u>	<u>245,693,518</u>
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(117,069,478)	(5,098,035)	117,722	(122,049,791)
Machinery and equipment	(11,449,063)	(491,594)	2,510	(11,938,147)
Office furniture and equipment	(1,741,364)	(86,895)	3,199	(1,825,060)
Vehicles	(3,471,981)	(82,632)	50,498	(3,504,115)
Total accumulated depreciation	<u>(133,731,886)</u>	<u>(5,759,156)</u>	<u>173,929</u>	<u>(139,317,113)</u>
Other capital assets, net	<u>107,623,428</u>	<u>(1,224,496)</u>	<u>(22,527)</u>	<u>106,376,405</u>
Business-type activities capital assets, net	<u>\$ 133,284,744</u>	<u>\$ 28,453,017</u>	<u>\$ (22,527)</u>	<u>\$ 161,715,234</u>

\* Depreciation expense was charged to functions as follows:

Electric	\$ 3,085,551
Water	919,964
Sewer	1,284,125
Gas	<u>469,516</u>
Business-type activities depreciation expense	<u>\$ 5,759,156</u>

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

**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, 2015:

<u>Type of Debt</u>	Balance at October 1, 2014	<u>Additions</u>	<u>Deductions</u>	Balance at September 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Bonds, notes and capital leases payable	\$ 3,590,250	\$ -	\$ (256,000)	\$ 3,334,250	\$ 266,000
Business-type Activities:					
Bonds, notes and capital leases payable	\$ 74,705,000	\$ 5,380,000	\$ (8,720,000)	\$ 71,365,000	\$ 3,360,000

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2015 are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 266,000	\$ 84,533	\$ 3,360,000	\$ 2,414,698
2017	276,000	81,593	3,455,000	2,369,015
2018	277,250	77,768	3,370,000	2,313,195
2019	275,000	72,865	3,655,000	2,254,117
2020	285,000	66,953	3,755,000	2,183,383
2021-2025	1,605,000	213,782	18,435,000	9,343,086
2026-2030	350,000	11,900	18,480,000	6,073,255
2031-2035	-	-	16,855,000	1,895,138
	<u>\$ 3,334,250</u>	<u>\$ 609,394</u>	<u>\$ 71,365,000</u>	<u>\$ 28,845,887</u>

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

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

**6. Long-term Debt, Continued**

**Governmental Activities**

As of September 30, 2015, 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. \$ 3,280,000

Non-interest-bearing note payable to Nebraska Department of Aeronautics, due in monthly installments of \$1,750 through April 2018. 54,250

Total governmental long-term debt \$ 3,334,250

Current portion \$ 266,000

Noncurrent portion 3,068,250

Total \$ 3,334,250

**Business-type Activities**

As of September 30, 2015, 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 \$36,260,000, issued July 29, 2014, interest rates ranging from 2.00 - 5.0 percent. Interest is due in semi-annual installments on January 15 and July 15. Principal is due in annual installments commencing January 15, 2015 through July 15, 2034. \$ 35,080,000

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. 9,045,000

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. 17,450,000

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015

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

6. Long-term Debt, Continued

Business-type Activities, Continued

Bonds payable, continued:

Combined utilities revenue refunding bonds with an original issue amount of \$2,420,000 was issued June 3, 2014. Interest rates ranging from 0.3 – 3.4 percent. Interest is due in semiannual installments on March 1 and September 1. Principal is due in annual installments commencing September 1, 2014 through September 1, 2028. \$ 2,165,000

Combined utilities revenue refunding bonds with an original issue amount of \$5,380,000 was issued May 15, 2015. 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, 2015 through August 15, 2023. 4,695,000

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. 2,930,000

Total business-type activity long-term debt \$ 71,365,000

Current portion \$ 3,360,000

Noncurrent portion 68,005,000

Total \$ 71,365,000

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

**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, 2015, the City had incurred a liability of \$249,428 for closure and post closure costs for the disposal area.

**8. Tax Increment Financing Bonds**

The Community Development Agency 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, 2015:

	<u>Receivable</u>	<u>Payable</u>
JAKK, LLC	\$ 81,539	\$ 81,539
TCK Leasing, LLC	226,331	226,331
MDI Limited Partnership	75,984	75,984
Logger Investments, LLC	66,212	66,212
South Broad Street, LLC (See footnote C9)	<u>241,624</u>	<u>-</u>
	<u>\$ 691,690</u>	<u>\$ 450,066</u>

The Community Development Agency 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, 2015 were the following due from/to other funds:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
City's share of communication center operations	E911	General	\$119,105
Reimburse expense for fuel and payment for service provided	Electric	General	46,690
Payment for service provided	Water	General	4,904
Payment for service provided	Sewer	General	1,604
Payment for service provided	Gas	General	1,502
Capital expenditures	General	Sales Tax	13,663
Capital expenditures	Special Projects	Sales Tax	3,381
Payment for service provided	General	Street	408
Capital expenditures	Street	Sales Tax	223,610

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

**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	4,336
Payment for service provided	Water	Street	172
Payment for service provided	General	Keno	397
Payment for service provided	Gas	Street	156
Payment for service provided	Sewer	Street	28
South Broad Street TIF	General	Community Dev. Agency	415,079
South hangar complex reimbursement	Sales Tax	Airport	137,698
Payment for service provided	Electric	Airport	883
Payment for service provided	Gas	Airport	21
Reimburse payment for service provided	General	Electric	308
Service cash flow needs	General	CDBG	18,000
Service cash flow needs	General	E911	200,000

Operating transfers:

		<u>Purpose</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General fund:				
Sales tax	Property tax relief; operating transfers; capital projects		\$ 2,602,632	\$ -
Keno	Property tax relief		575,000	-
Drug Task Force	City's share of multi-jurisdiction task force		7,233	-
Electric	Utility transfer in; expense reimbursement for IT purchases		2,376,410	(69,584)
Water	Utility transfer in		150,000	-
Sewer	Utility transfer in		150,000	-
Gas	Utility transfer in		695,870	-
Total general fund			6,557,145	(69,584)
Street fund:				
Sales tax	Various street improvement projects; drainage improvements; reimburse property insurance		642,831	-
Total street fund			642,831	-

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

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

**9. Interfund Transactions and Balances, Continued**

Operating transfers, continued

Sales tax fund:

General	Property tax relief; operating transfers; capital projects	\$ -	\$ (2,602,632)
Street	Various street improvement projects; drainage improvements; reimburse property insurance	-	(642,831)
Special projects	Trail improvements	-	(6,156)
Water	Infrastructure debt service contribution	-	(108,410)
Sewer	Infrastructure debt service contribution	-	(86,888)
Total sales tax fund		<u>-</u>	<u>(3,446,917)</u>
Non-major funds	Economic development - electric and gas to economic enhancement	100,000	
	others see above	6,155	(582,232)
	wireless E911 to E911	66,370	(66,370)
Total non-major funds		<u>172,525</u>	<u>(648,602)</u>
Enterprise funds	See above	264,882	(3,472,280)
Total operating transfers		<u>\$ 7,637,384</u>	<u>\$ (7,637,384)</u>

**10. Deficit Fund Balance**

At September 30, 2015, the Community Development Agency Fund had a deficit balance of \$305,289, which will be partially 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.

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

**NOTE D – OTHER NOTES**

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

The City participates in seven employee pension plans; four are contributory defined contribution plans (qualified 414(h) plans), two are qualified defined benefit plans - one each for pre-1984- hired police and firefighters, and a non-qualified deferred compensation plan as follows:

<u>Name of Plan</u>	<u>Type of Plan</u>
Retirement Income Plan for City Government Employees	Defined Contribution Plan
Police Officers' Retirement Plan	Defined Contribution Plan
Police Plan (Pre-1984)	Defined Benefit Plan
Firefighters' Retirement Plan	Defined Contribution Plan
Firefighters Plan (Pre-1984)	Defined Benefit Plan
Department of Utilities and Library Dept. Pension Plan	Defined Contribution Plan
Deferred Compensation Plan	Non-qualified Deferred Compensation Plan

**Retirement Income Plan for City Government Employees and City Department of Utilities**

The City has a contributory defined contribution employees' pension plan in which the general employees of the City and Department of Utilities 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, 2015, there were 204 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, 2015, the City's total payroll and covered payroll under the plan was \$13,051,983 and \$12,998,195, respectively. The employees and the City contributed \$653,132 and \$792,711, respectively, as required by the plan for the fiscal year ended September 30, 2015.

**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.

# CITY OF FREMONT, NEBRASKA

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015

### NOTE D – OTHER NOTES, CONTINUED

1. Employee Pension and Other Benefit Plans, continued

#### Police and Firefighters Plans, Continued

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

Based on the actuarial valuation dated September 1, 2014, 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 \$393,263 for the remaining members. If this shortfall were amortized over expected future lifetimes of the remaining Police Officers hired prior to 1984 then \$27,891 would need to be contributed each year. As of September 30, 2015, management believes that with these additional contributions the funding will be sufficient. The City contributed \$27,891 to the unallocated account on December 31, 2014 and September 9, 2015.

Based on the actuarial valuation dated September 1, 2014, it is anticipated that the unallocated account is not sufficient to provide the minimum defined benefits for the remaining pre-84 hires under the Firefighters Plan. The estimated present value shortfall is \$62,788 for the remaining members. If this shortfall were amortized over expected future lifetimes of the remaining Firefighters hired prior to 1984 then \$5,556 would need to be contributed each year. As of September 30, 2015, management believes that with these additional contributions the funding will be sufficient. The City contributed \$5,556 to the unallocated account on December 31, 2014.

#### 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, 2015, the City's total payroll and covered payroll under the plan was \$2,228,393 and \$2,204,512, respectively.

As of September 1, 2014, the date of the last actuarial valuation of the defined benefit plan, there were 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, 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, a matching 6.5 percent.

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

**NOTE D – OTHER NOTES, CONTINUED**

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

**Police Plan, Continued**

*Funding Status of Defined Benefit Plan*

The projected retirement benefits at September 1, 2014, 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 four percent for post-retirement per annum, and (b) use of the 2014 417(e) mortality table.

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, 2014	\$ 64,638
Benefit obligation	<u>458,113</u>
Funded status	<u><u>\$(393,475)</u></u>
Prepaid (accrued) benefit cost recognized in the balance sheet	<u><u>\$ -</u></u>

*Funding Status of Defined Contribution Plan*

The Police employees are eligible on the first day of employment. The employees contribute 6.5 percent and the City contributes 6.5 percent. There were 35 participants in the plan as of September 30, 2015.

*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, 2014.

Contributions made under the defined contribution portion of the Police Plan for the year ended September 30, 2015 were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 143,293	6.5%
Employee	<u>143,295</u>	<u>6.5</u>
	<u><u>\$ 286,588</u></u>	<u><u>13.0%</u></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, 2015, the City's total payroll and covered payroll under the plan was \$1,720,668 and \$1,565,220, respectively.

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

**NOTE D – OTHER NOTES, CONTINUED**

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

**Firefighters Plan, Continued**

*Plan Description, continued*

As of September 1, 2014, the date of the last actuarial valuation of the defined benefit plan, there were eight non-active participants in the Firefighters Plan.

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

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

*Funding Status of Defined Benefit Plan*

The projected retirement benefits at September 1, 2015 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 four percent for post-retirement per annum, and (b) used of the 2014 417(e) mortality tables.

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, 2015	\$ 966,110
Benefit obligation	<u>1,043,348</u>
Funded status	<u><u>\$ ( 77,238)</u></u>
Prepaid (accrued) benefit cost recognized in the balance sheet	<u><u>\$ -</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 28 participants in the plan as of September 30, 2015.

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

**NOTE D – OTHER NOTES, CONTINUED**

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

**Firefighters Plan, Continued**

*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, 2015.

Contributions made under the defined contribution portion of the Firefighters Plan for the year ended September 30, 2015, were as follows:

		<u>Amount as a Percentage of Covered Payroll</u>
Employer	\$ 203,478	13.0%
Employee	<u>101,740</u>	<u>6.5</u>
	<u>\$ 305,218</u>	<u>19.5%</u>

**Deferred Compensation Plan**

The City has a deferred compensation plan created in accordance with Internal Revenue (IRS) 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 \$263,817 and the City contributed \$0 under the plan for the year ended September 30, 2015.

**Recently Issued Accounting Standards**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, issued June 2012, as amended by GASB Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, issued November 2013, was effective for the City on October 1, 2014. This statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope set forth in the statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. Although the City’s pension plans meet the criteria for implementation of GASB No. 68, management has elected not to adopt the accounting and financial reporting requirements of this statement as they have determined that the impact on the City’s financial statements or related disclosures of adoption would not be material.

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

**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 \$339,696. 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 \$128,400. This has been included as a current year expenditure. For all of the self-insured funds, an unreserved fund balance of \$2,111,363 was in the Internal Service Fund at September 30, 2015.

**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, 2015, the City's investments consisted of certificates of deposit at the following institutions:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank/Fremont	\$ 37,060,000 *
First National Bank - Fremont	7,352,800 *
Nebraska Land National Bank	2,666,773 *
Cornerstone Bank, Columbus	1,350,000
Totals	<u>\$ 48,429,573</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, 2015.

CITY OF FREMONT, NEBRASKA

NOTES TO FINANCIAL STATEMENTS, CONTINUED

SEPTEMBER 30, 2015

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, 2015 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 2015	\$ 1,850,000
November 2015	520,773
December 2015	5,540,000
January 2016	1,250,000
February 2016	1,350,000
March 2016	7,950,000
June 2016	2,500,000
July 2016	500,000
August 2016	5,702,800
September 2016	3,845,000
Due in more than 12 months	17,421,000
	<u>\$ 48,429,573</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 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, 2015 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, 2015**

**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 9/30/2015</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
<u>Governmental:</u>				
Westside BNSF Viaduct	\$ 961,414	\$ 915,760	\$ 45,653	September 30, 2019
Johnson Road Widening, Military-16th	20,890	19,730	1,160	September 30, 2016
Johnson Road Trail	96,770	13,286	83,484	September 30, 2016
Pierce Street Reconstruction, Linden-Military	23,590	2,700	20,890	September 30, 2017
Park Ave, 2nd-Military	72,660	68,011	4,649	September 30, 2016
Luther Road Widening, Military-23rd	95,900	76,161	19,739	September 30, 2020
1st Street, Bell-Luther	78,500	72,630	5,870	September 30, 2020
32nd St Paving Improvements	82,330	76,910	5,420	September 30, 2019
Pedestrian Signal Replacements	52,825	52,706	119	September 30, 2016
Raw hide Creek Trail	228,241	-	228,241	September 30, 2017
Ridge-Hormel Park Trail	73,450	64,184	9,266	September 30, 2016
1st Street, Luther-Johnson	78,832	-	78,832	August 31, 2016
27th & Lincoln Box Culvert	154,416	142,079	12,337	December 31, 2015
W 6th, M St-Marvin Court Reconstruction	178,558	-	178,558	May 31, 2016
Fire Aerial Apparatus	937,821	-	937,821	June 30, 2016
CDBG Curb Ramp Replacement	331,916	316,878	15,038	February 28, 2016
<u>Enterprise Funds:</u>				
Unit 8 Environmental Upgrade	50,485,832	43,347,720	7,138,112	November 30, 2015
69kV Joint Transmission Line	19,000,000	345,834	18,654,166	December 31, 2018
City Hall Chiller Replacement	510,201	458,798	51,403	January 31, 2016
Plant II Propane Equipment Upgrade	443,764	352,893	90,871	November 30, 2015
N Yager Rd Water Main	132,120	-	132,120	November 30, 2015
WWTP Improvement Study	26,247	7,377	18,870	February 28, 2016
	<u>\$ 74,066,277</u>	<u>\$ 46,333,659</u>	<u>\$ 27,732,618</u>	

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

**NOTE D – OTHER NOTES, CONTINUED**

**3. Commitments and Contingencies, Continued**

**Electric Department**

In the prior year, the Electric Department entered into an agreement with Cloud Peak Energy Resources, LLC. which was effective January 1, 2015 through December 31, 2015. Under the terms of the agreement, the City must purchase 245,000 tons of coal each calendar year at an agreed-upon base price per ton, which will be adjusted each month for any variation in the Base Btu. As of September 30, 2015, the City had purchased 216,709 of the tons required under this contract. The remaining balance was purchased by December 31, 2015.

In the current year, the Electric Department entered into an agreement with Arch Coal Sales Company, Inc., effective January 1, 2016 through December 31, 2016. Under the terms of the agreement, the City must purchase 245,000 tons of coal during the calendar year 2016 at an agreed-upon base price per ton, which will be adjusted each month for any variation in the Base Btu.

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

**Gas Department**

The Gas Department entered into an agreement to purchase natural gas from BP Canada Energy Marketing Corp in September 2012. The agreement, which is effective through October 31, 2017, stipulates the volume of maximum daily quantity purchases which varies depending on the month of purchase. The price is based on the monthly index published inside the Federal Energy Regulatory Commission (FERC) Gas Market Report.

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

**NOTE D – OTHER NOTES, CONTINUED**

**4. Major Customers**

The City has one customer that was billed approximately \$3,500,000 for electricity, \$2,100,000 for gas, and \$1,800,000 for sewer for the year ended September 30, 2015. This represents 10.4 percent of total electric billing, 14.9 percent of total gas billing, and 35.4 percent of total sewer billing for the year ended September 30, 2015. The billings represent 14 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, 2015:

<b>Parties to Agreement</b>	<b>Term</b>	<b>Description</b>
Dodge County School District No. 1	1/1/2014 to termination	School Resource Officer
Dodge County School District No. 1 and Metropolitan Community College	4/5/2007 to perpetual	Construct and maintain parking lot at 9th and H Street
Nebraska Department of Environmental Quality	12/1/2014 to 6/30/16	Implementation of stormwater management plan program for the City of Fremont
League Association of Risk Management	to termination	Provide risk management and insurance coverage
Dodge County, Village of Inglewood, LPNDRD	7/22/2003 - completion	Evaluate potential for channel cut-off levee project (south Fremont)
<b>Cities:</b> Columbus, Norfolk, Battle Creek, Hooper, Oakland, Inglewood, Stanton, Craig, Hoskins, Meadow Grove, Pilger, Uehling. <b>Counties:</b> Burt, Dodge, Madison & Stanton	7/28/1992 to 7/28/2022	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	3/15/2015 to 3/15/2018 (renews every 3 years unless terminated)	Keno lottery, CDBG projects, sewer and water systems
Omaha Public Power District	7/18/2014 - 7/18/2018	Provide reliable, cost effective energy related products and services

**CITY OF FREMONT, NEBRASKA**

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**SEPTEMBER 30, 2015**

**NOTE D – OTHER NOTES, CONTINUED**

**5. Interlocal Agreements, Continued**

<b>Parties to Agreement</b>	<b>Term</b>	<b>Description</b>
<b>Counties:</b> Dodge, Burt, Saunders, Colfax, Cuming, and Washington <b>Cities:</b> Dodge, Snyder, Scribner, Hooper, Uehling, Winslow, Nickerson, North Bend and Inglewood	12/01/2012 - 12/31/2016	Enhanced 911 services
Counties of Dodge, Cuming and Saunders, and Cities of Blair, Wahoo, Yutan and Ashland	10/1/2014 - exhaustion of funds	Drug task force
Dodge County School District No. 1	10/15/2014 to 10/15/2015 (renews every year unless terminated)	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 - 12/31/15	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	12/02/2014 - 12/02/2019	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 Arlington	1/1/2013 - 1/1/2018	Keno lottery

**CITY OF FREMONT, NEBRASKA**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**SEPTEMBER 30, 2015**

**NOTE D – OTHER NOTES, CONTINUED**

**5. Interlocal Agreements, Continued**

<b>Parties to Agreement</b>	<b>Term</b>	<b>Description</b>
City of Yutan	9/15/2012 - 9/18/2017	Keno lottery
City of Kennard	9/11/2012 - 9/11/2017	Keno lottery
Three Rivers District Health Department	3/27/2013 to termination	Provide services during a public health emergency to protect citizens of Dodge, Saunders, and Washington Counties from disease, disability and death
Nebraska Interoperability network	8/25/15 - 12/31/25	Support and coordinate public safety communications in Nebraska.
Village of Inglewood	3/10/15-12/31/16	Library services.
Cities of Dodge, Fremont, Hooper, Nickerson, North Bend, Scribner, Snyder, Winslow, and Uehling	9/30/14 - termination	Dodge County Mutual Aid Association

**6. EPA Emissions Allowances**

As of September 30, 2015, the City had 13,491 SO<sub>2</sub> 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. Changes to federal regulation on SO<sub>2</sub> emissions that would eliminate the existing credits resulted in a less than one dollar market value for the credits available at year end.

**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, 2017.

**8. Subsequent Events**

Management has evaluated subsequent events through January 26, 2016, the date on which the financial statements were available for issue.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FREMONT, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 4,126,069	\$ 4,228,971	\$ 102,902
Payments in lieu of taxes	10,000	9,289	(711)
Franchise	274,000	237,835	(36,165)
Business	1,162,000	1,098,375	(63,625)
Intergovernmental	555,793	875,873	320,080
Charges for services	2,474,750	2,397,891	(76,859)
Donations	140,000	29,155	(110,845)
Interest income	9,250	22,509	13,259
Other	9,493	61,726	52,233
	<u>8,761,355</u>	<u>8,961,624</u>	<u>200,269</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	7,135,464	4,052,341	(3,083,123)
Public safety	8,576,088	7,301,944	(1,274,144)
Public works	562,933	472,836	(90,097)
Environment and leisure	3,493,198	3,203,442	(289,756)
Employee insurance	223,616	230,785	7,169
	<u>19,991,299</u>	<u>15,261,348</u>	<u>(4,729,951)</u>
Resources over (under) charges to appropriations	<u>(11,229,944)</u>	<u>(6,299,724)</u>	<u>4,930,220</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	7,791,658	6,695,913	(1,095,745)
Transfers out	(69,584)	(11,101)	58,483
Net transfers	<u>7,722,074</u>	<u>6,684,812</u>	<u>(1,037,262)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u><u>\$ (3,507,870)</u></u>	<u><u>\$ 385,088</u></u>	<u><u>\$ 3,892,958</u></u>

**CITY OF FREMONT, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
STREET FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
<b>RESOURCES (INFLOWS)</b>			
Motor vehicle tax	\$ 450,000	\$ 491,530	\$ 41,530
Intergovernmental	2,357,000	2,903,469	546,469
Charges for services	30,000	48,726	18,726
Interest income	29,500	22,106	(7,394)
Other income	-	33,206	33,206
	<hr/>	<hr/>	<hr/>
Total resources	2,866,500	3,499,037	632,537
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	6,272,475	4,079,807	(2,192,668)
	<hr/>	<hr/>	<hr/>
Resources over (under) charges to appropriations	(3,405,975)	(580,770)	2,825,205
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	2,061,800	970,791	(1,091,009)
Transfers out	-	1,499	1,499
	<hr/>	<hr/>	<hr/>
Net transfers	2,061,800	972,290	(1,089,510)
	<hr/>	<hr/>	<hr/>
<b>RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (1,344,175)</u>	<u>\$ 391,520</u>	<u>\$ 1,735,695</u>

**CITY OF FREMONT, NEBRASKA**

**BUDGETARY COMPARISON SCHEDULE -  
SALES TAX FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
<b>RESOURCES (INFLOWS)</b>			
Sales tax	\$ 5,641,280	\$ 6,200,687	\$ 559,407
Charges for services	40,000	37,054	(2,946)
Interest income	33,360	56,681	23,321
Other income	-	20,142	20,142
Loan repayment proceeds	3,333	3,334	1
	<hr/>	<hr/>	<hr/>
Total resources	5,717,973	6,317,898	599,925
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	1,210,000	418,086	(791,914)
	<hr/>	<hr/>	<hr/>
Resources over (under) charges to appropriations	4,507,973	5,899,812	1,391,839
<b>OTHER FINANCING USES</b>			
Transfers out	(6,285,267)	(3,095,384)	3,189,883
	<hr/>	<hr/>	<hr/>
<b>RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES</b>	<b><u>\$ (1,777,294)</u></b>	<b><u>\$ 2,804,428</u></b>	<b><u>\$ 4,581,722</u></b>

**CITY OF FREMONT, NEBRASKA**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**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, 2015, 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>
<b>Sources/inflows of resources:</b>			
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 8,961,624	\$ 3,499,037	\$ 6,317,898
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>43,896</u>	<u>5,207</u>	<u>(8,429)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 9,005,520</u>	<u>\$ 3,504,244</u>	<u>\$ 6,309,469</u>
<b>Uses/outflows of resources:</b>			
Actual amounts (budgetary basis) total charges to appropriations from the budgetary comparison schedules	\$15,261,348	\$ 4,079,807	\$ 418,086
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>(473,797)</u>	<u>(559,812)</u>	<u>(401,309)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$14,787,551</u>	<u>\$ 3,519,995</u>	<u>\$ 16,777</u>
<b>Other financing uses:</b>			
Actual amounts (budgetary basis) total transfers from the budgetary comparison schedules	\$ 6,684,812	\$ 972,290	\$(3,095,384)
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>(197,251)</u>	<u>(329,459)</u>	<u>(351,533)</u>
Total transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,487,561</u>	<u>\$ 642,831</u>	<u>\$(3,446,917)</u>

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

**YEAR ENDED SEPTEMBER 30, 2015**

<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
9/1/2014	1,045,410	1,501,461	456,051	70%	-	N/A

## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF FREMONT, NEBRASKA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	Debt Service	Special Revenue Funds			
		Paving & Sidewalk Districts	Downtown Improvement District	Public Use Property Special Projects	Keno Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 109,952	\$ 704,232	\$ 8,885	\$ 11,396	\$ 109,513
Investments	-	1,000,000	-	175,000	495,000
County treasurer cash	11,161	-	-	-	-
Receivables:					
Special assessments	-	261,167	-	-	-
Accounts, net of allowance for doubtful accounts	-	-	6,123	-	24,510
Notes, net of allowance for doubtful accounts	-	-	-	-	-
Interest	-	25,256	-	413	289
Property tax	9,142	-	-	-	-
Business tax	-	-	-	-	-
TIF bond receivable	-	-	-	-	-
Due from other governments	166	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
<b>Total assets</b>	<b>\$ 130,421</b>	<b>\$ 1,990,655</b>	<b>\$ 15,008</b>	<b>\$ 186,809</b>	<b>\$ 629,312</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 200	\$ 90	\$ -	\$ 24,063
Due to other funds	-	-	-	-	397
Accrued expenses	13,783	-	-	-	-
TIF payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<b>13,783</b>	<b>200</b>	<b>90</b>	<b>-</b>	<b>24,460</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	5,848	-	-	-	-
Unavailable revenue - other local taxes	-	279,268	-	-	-
Unavailable revenue - fees and other	-	-	6,123	-	-
Unavailable revenue - notes	-	-	-	-	-
Total deferred inflows of resources	<b>5,848</b>	<b>279,268</b>	<b>6,123</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Permanent fund principal	-	-	-	125,000	-
Notes receivable	-	-	-	-	-
Restricted for:					
Debt service	110,790	-	-	-	-
Public safety	-	-	-	-	-
Economic development	-	-	-	-	-
Capital/special projects	-	1,711,187	-	61,809	-
Federal programs	-	-	-	-	-
Community betterment	-	-	-	-	604,852
Community development block grant	-	-	-	-	-
Assigned for:					
Airport	-	-	-	-	-
Downtown improvements/parking	-	-	8,795	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	<b>110,790</b>	<b>1,711,187</b>	<b>8,795</b>	<b>186,809</b>	<b>604,852</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 130,421</b>	<b>\$ 1,990,655</b>	<b>\$ 15,008</b>	<b>\$ 186,809</b>	<b>\$ 629,312</b>

CITY OF FREMONT, NEBRASKA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

SEPTEMBER 30, 2015

	Special Revenue Funds				
	CDBG Fund	Weatherization EDA (HUD)	Economic Enhancement	Airport Fund	Enhanced & Wireless 911
<b>ASSETS</b>					
Cash and cash equivalents	\$ 279	\$ 19,368	\$ 195,668	\$ 182,879	\$ 139,785
Investments	-	-	-	-	100,000
County treasurer cash	-	-	-	-	-
Receivables:					
Special assessments	-	-	-	138,090	-
Accounts, net of allowance for doubtful accounts	-	-	-	-	-
Notes, net of allowance for doubtful accounts	90,000	779,386	360,000	-	-
Interest	-	-	-	-	288
Property tax	-	-	-	-	-
Business tax	-	-	-	-	30,341
TIF bond receivable	-	-	-	-	-
Due from other governments	64,080	-	-	-	71,440
Due from other funds	-	-	-	-	119,105
Prepaid expenses	-	-	-	5,513	-
<b>Total assets</b>	<b>\$ 154,359</b>	<b>\$ 798,754</b>	<b>\$ 555,668</b>	<b>\$ 326,482</b>	<b>\$ 460,959</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 9,677	\$ -	\$ -	\$ 3,259	\$ 3,255
Due to other funds	18,000	-	-	138,602	200,000
Accrued expenses	-	-	-	-	48,173
TIF payable	-	-	-	-	-
Unearned revenue	-	-	-	3,600	-
<b>Total liabilities</b>	<b>27,677</b>	<b>-</b>	<b>-</b>	<b>145,461</b>	<b>251,428</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	-	-	-	-	-
Unavailable revenue - other local taxes	-	-	-	-	-
Unavailable revenue - fees and other	-	-	-	-	64,133
Unavailable revenue - notes	-	-	-	138,090	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>138,090</b>	<b>64,133</b>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Permanent fund principal	-	-	-	-	-
Notes receivable	-	779,386	360,000	-	-
Restricted for:					
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Economic development	-	-	195,668	-	-
Capital/special projects	-	-	-	-	-
Federal programs	-	19,368	-	-	-
Community betterment	-	-	-	-	-
Community development block grant	126,682	-	-	-	-
Assigned for:					
Airport	-	-	-	181,021	-
Downtown improvements/parking	-	-	-	-	-
Unreserved	-	-	-	(138,090)	145,398
<b>Total fund balances (deficit)</b>	<b>126,682</b>	<b>798,754</b>	<b>555,668</b>	<b>42,931</b>	<b>145,398</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 154,359</b>	<b>\$ 798,754</b>	<b>\$ 555,668</b>	<b>\$ 326,482</b>	<b>\$ 460,959</b>

<u>Special Revenue Funds</u>		<u>Capital Projects</u>	Total Non-major Governmental Funds
<u>Drug Task Force</u>	<u>Community Development Agency</u>	<u>Special Projects</u>	
\$ 52,685	\$ 109,550	\$ 560,378	\$ 2,204,570
-	-	-	1,770,000
-	240	-	11,401
-	-	-	399,257
-	-	-	30,633
-	-	-	1,229,386
-	-	-	26,246
-	-	-	9,142
-	-	-	30,341
-	691,690	-	691,690
-	-	-	135,686
-	-	3,381	122,486
-	-	-	5,513
<u>\$ 52,685</u>	<u>\$ 801,480</u>	<u>\$ 563,759</u>	<u>\$ 6,666,351</u>
\$ -	\$ -	\$ 4,511	\$ 45,055
-	415,079	-	772,078
-	-	-	61,956
-	450,066	-	450,066
-	-	-	3,600
<u>-</u>	<u>865,145</u>	<u>4,511</u>	<u>1,332,755</u>
-	-	-	5,848
-	-	-	279,268
-	-	-	70,256
-	241,624	-	379,714
<u>-</u>	<u>241,624</u>	<u>-</u>	<u>735,086</u>
-	-	-	125,000
-	-	-	1,139,386
-	-	-	110,790
52,685	-	-	52,685
-	-	-	195,668
-	-	559,248	2,332,244
-	-	-	19,368
-	-	-	604,852
-	-	-	126,682
-	-	-	181,021
-	-	-	8,795
-	(305,289)	-	(297,981)
<u>52,685</u>	<u>(305,289)</u>	<u>559,248</u>	<u>4,598,510</u>
<u>\$ 52,685</u>	<u>\$ 801,480</u>	<u>\$ 563,759</u>	<u>\$ 6,666,351</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, 2015

	Debt Service	Special Revenue Funds			
		Paving & Sidewalk Districts	Downtown Improvement District	Public Use Property Special Projects	Keno Fund
<b>REVENUES</b>					
Property tax	\$ 320,236	\$ -	\$ -	\$ -	\$ -
Business taxes	-	-	-	-	-
TIF payments	-	-	-	-	-
Payments in lieu of taxes	665	-	-	-	-
Intergovernmental	-	-	-	-	-
Keno	-	-	-	-	585,538
Charges for services	-	98,849	11,577	-	-
Donations	-	-	-	-	-
Interest income	325	36,669	21	1,428	2,064
Other income	-	-	-	-	1,465
Total revenues	<u>321,226</u>	<u>135,518</u>	<u>11,598</u>	<u>1,428</u>	<u>589,067</u>
<b>EXPENDITURES</b>					
General government	450	-	4,453	-	-
Public safety	-	-	-	-	-
Public works	-	2,266	-	-	-
Environment and leisure	-	-	-	-	125,878
Principal payments on debt	235,000	-	-	-	-
Interest on long-term debt	85,978	-	-	-	-
Total expenditures	<u>321,428</u>	<u>2,266</u>	<u>4,453</u>	<u>-</u>	<u>125,878</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(202)</u>	<u>133,252</u>	<u>7,145</u>	<u>1,428</u>	<u>463,189</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	-	-	-	(575,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(575,000)</u>
<b>Net change in fund balances</b>	<u>(202)</u>	<u>133,252</u>	<u>7,145</u>	<u>1,428</u>	<u>(111,811)</u>
Fund balances - September 30, 2014	<u>110,992</u>	<u>1,577,935</u>	<u>1,650</u>	<u>185,381</u>	<u>716,663</u>
Fund balances - September 30, 2015	<u>\$ 110,790</u>	<u>\$ 1,711,187</u>	<u>\$ 8,795</u>	<u>\$ 186,809</u>	<u>\$ 604,852</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, 2015

	Special Revenue Funds				Special Revenue Funds			Capital Projects	Total Non-major Governmental Funds
	CDBG Fund	Weatherization EDA (HUD)	Economic Enhancement	Airport Fund	Enhanced & Wireless 911	Drug Task Force	Community Development Agency	Special Projects	
<b>REVENUES</b>									
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 320,236
Business taxes	-	-	-	-	120,234	-	-	-	120,234
TIF payments	-	-	-	-	-	-	226,904	-	226,904
Payment in lieu of taxes	-	-	-	-	-	-	-	-	665
Intergovernmental	69,400	111,845	-	-	818,761	-	-	30,500	1,030,506
Keno	-	-	-	-	-	-	-	-	585,538
Charges for services	-	-	-	156,308	-	-	-	-	266,734
Donations	-	-	-	-	-	-	-	-	-
Interest income	-	449	621	441	959	-	49	1,407	44,433
Other income	-	-	-	336	1,245	-	8,187	-	11,233
Total revenues	<u>69,400</u>	<u>112,294</u>	<u>621</u>	<u>157,085</u>	<u>941,199</u>	<u>-</u>	<u>235,140</u>	<u>31,907</u>	<u>2,606,483</u>
<b>EXPENDITURES</b>									
General government	52,102	149,255	50,000	-	-	-	226,905	-	483,165
Public safety	-	-	-	-	901,858	183,024	-	-	1,084,882
Public works	-	-	-	-	-	-	-	7,287	9,553
Environment and leisure	-	-	-	81,345	-	-	-	-	207,223
Principal payments on debt	-	-	-	21,000	-	-	-	-	256,000
Interest on long-term debt	-	-	-	-	-	-	-	-	85,978
Total expenditures	<u>52,102</u>	<u>149,255</u>	<u>50,000</u>	<u>102,345</u>	<u>901,858</u>	<u>183,024</u>	<u>226,905</u>	<u>7,287</u>	<u>2,126,801</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>17,298</u>	<u>(36,961)</u>	<u>(49,379)</u>	<u>54,740</u>	<u>39,341</u>	<u>(183,024)</u>	<u>8,235</u>	<u>24,620</u>	<u>479,682</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in (out)	-	-	100,000	-	-	(7,233)	-	6,156	(476,077)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(7,233)</u>	<u>-</u>	<u>6,156</u>	<u>(476,077)</u>
<b>Net change in fund balances</b>	<u>17,298</u>	<u>(36,961)</u>	<u>50,621</u>	<u>54,740</u>	<u>39,341</u>	<u>(190,257)</u>	<u>8,235</u>	<u>30,776</u>	<u>3,605</u>
Fund balances - September 30, 2014	<u>109,384</u>	<u>835,715</u>	<u>505,047</u>	<u>(11,809)</u>	<u>106,057</u>	<u>242,942</u>	<u>(313,524)</u>	<u>528,472</u>	<u>4,594,905</u>
Fund balances - September 30, 2015	<u>\$ 126,682</u>	<u>\$ 798,754</u>	<u>\$ 555,668</u>	<u>\$ 42,931</u>	<u>\$ 145,398</u>	<u>\$ 52,685</u>	<u>\$ (305,289)</u>	<u>\$ 559,248</u>	<u>\$ 4,598,510</u>

January 26, 2016

**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 STANDARD**

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, 2015, 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 26, 2016.

**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.

## **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**