

CITY OF FREMONT, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2016



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Independent Auditor's Report

Honorable Mayor and City Council
City of Fremont
Fremont, Nebraska

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the internal service fund information of City of Fremont, Nebraska (the "City"), as of and for the year ended September 30, 2016, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements 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. 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.

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 internal service fund information of the City of Fremont, Nebraska as of September 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The 2015 financial statements, **before they were restated for the matters discussed in Note A**, were audited by other auditors and their report thereon, dated January 26, 2016, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 basic financial statements as a whole. The combining statements for non-major governmental funds listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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 it.

BKD, LLP

Omaha, Nebraska
February 14, 2017

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED SEPTEMBER 30, 2016

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, 2016.

Financial Highlights

- The assets of the City of Fremont exceeded its liabilities at the close of the most recent fiscal year by \$246,290,808 (*net position*). Of this amount, \$59,363,137 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Fremont governmental activities reported combined ending net position of \$94,658,338. Approximately 15.9 percent of this total amount, \$15,065,319, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,127,155, or 65.3 percent of total General Fund expenditures.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Fremont that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Fremont include general government, public safety, highways and streets, economic development and culture and recreation. The business-type activities of the City of Fremont include the Electric, Water, Sewer and Gas activities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2016

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fremont, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fremont can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Fremont maintains 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 of Fremont adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Street, and Sales Tax Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 - 16 of this report.

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

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

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

The basic proprietary fund financial statements can be found on pages 17 - 20 of this report.

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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 - 57 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Fremont's budgetary comparison schedules. Required supplementary information can be found on pages 59 - 62 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 64-69 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fremont, assets exceeded liabilities by \$246,290,808 at the close of the most recent fiscal year.

Summary of Net Position

	September 30, 2016			September 30, 2015, as restated		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 49,641,197	\$ 59,514,877	\$ 109,156,074	\$ 45,304,225	\$ 65,959,190	\$ 111,263,415
Capital Assets	52,180,540	169,122,272	221,302,812	50,086,786	163,895,254	213,982,040
Deferred Outflow of Resources	5,305	180,597	185,902	5,845	203,417	209,262
Total Assets and Deferred Outflows	101,827,042	228,817,746	330,644,788	95,396,856	230,057,861	325,454,717
Long-term Liabilities	3,204,394	66,578,609	69,783,003	4,210,374	71,278,815	75,489,189
Other Liabilities	3,964,310	10,605,583	14,569,893	2,682,391	11,462,865	14,145,256
Deferred Inflow of Resources:	-	1,084	1,084	-	1,251	1,251
Total Liabilities and Deferred Inflows	7,168,704	77,185,276	84,353,980	6,892,765	82,742,931	89,635,696
Net Position:						
Net Investment						
in Capital Assets	48,569,195	98,542,786	147,111,981	46,758,381	82,131,744	128,890,125
Restricted						
Expendable	30,891,345	8,791,866	39,683,211	28,346,025	8,707,475	37,053,500
Noexpendable	132,479	-	132,479	125,000	-	125,000
Unrestricted	15,065,319	44,297,818	59,363,137	13,274,685	56,475,711	69,750,396
Total Net Position	<u>\$ 94,658,338</u>	<u>\$ 151,632,470</u>	<u>\$ 246,290,808</u>	<u>\$ 88,504,091</u>	<u>\$ 147,314,930</u>	<u>\$ 235,819,021</u>

The largest portion of the City of Fremont's net position (59.7 percent) reflects its net investment in capital assets (land, infrastructure, buildings, machinery, vehicles and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Fremont uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Fremont's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Fremont's net position (16.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$59,363,137) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

Governmental Activities. Net position increased \$6,154,247 in the governmental activities during the year ended September 30, 2016, accounting for 58.8 percent of the total growth in the City's net position for the year ended September 30, 2016. Key elements of this increase are as follows:

Expenses and Program Revenues – Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015, as restated</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General government	\$ 1,525,154	\$ 4,800,223	\$ 1,376,789	\$ 4,384,522
Public safety	1,633,916	8,425,934	1,531,030	8,197,052
Public works	2,789,404	2,959,941	1,385,662	3,320,469
Environment and leisure	697,852	3,098,751	654,880	3,111,397
Non-departmental	-	281,648	-	223,616
Interest	-	83,792	-	85,978
Depreciation and amortization	-	1,934,634	-	1,874,794
Total	\$ 6,646,326	\$ 21,584,923	\$ 4,948,361	\$ 21,197,828

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015, as restated</u>	
Charges for services	\$ 3,686,584	13.29 %	\$ 3,456,680	13.65 %
Operating grants and contributions	1,397,499	5.04	736,215	2.91
Capital grants and contributions	1,562,243	5.63	846,160	3.34
Property taxes	4,638,681	16.72	4,537,807	17.92
Motor vehicle taxes	525,670	1.90	496,452	1.96
Sales tax	6,096,818	21.98	6,192,744	24.46
TIF payments	247,656	0.89	226,904	0.90
Payments in lieu of taxes	9,678	0.03	9,454	0.04
Franchise taxes	233,381	0.84	236,274	0.93
Other taxes	1,901,548	6.86	1,215,685	4.80
State allocation	3,416,337	12.32	3,313,517	13.09
Keno	593,400	2.14	585,538	2.31
Special assessments	(918)	(0.00)	(1,246)	(0.00)
Miscellaneous	23,737	0.09	47,813	0.19
Interest	208,557	0.75	166,069	0.66
Gain (loss) on sale of assets	2,147	0.01	43,200	0.17
Transfer from (to) other funds	3,196,152	11.52	3,207,398	12.67
Total	\$ 27,739,170	100.00 %	\$ 25,316,664	100.00 %

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Business-type Activities. Business-type activities increased the City of Fremont's net position by \$4,317,540, accounting for total growth of 41.2 percent of the total growth in the government's net position for the year ended September 30, 2016. Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015, as restated</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 37,334,583	\$ 32,340,015	\$ 36,247,090	\$ 27,645,356
Water	3,379,420	2,662,625	3,303,570	2,640,018
Sewer	5,221,651	4,179,971	5,385,767	3,980,214
Gas	11,222,526	10,501,986	13,927,053	12,730,812
Total	<u>\$ 57,158,180</u>	<u>\$ 49,684,597</u>	<u>\$ 58,863,480</u>	<u>\$ 46,996,400</u>

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2016</u>		<u>Year Ended September 30, 2015</u>	
Charges for services	\$ 56,940,940	105.44 %	\$ 58,535,647	104.84 %
Capital grants and contribution:	217,240	0.40	327,833	0.59
Interest	295,599	0.55	325,229	0.58
Gain (loss) on sale of assets	(255,490)	(0.47)	(145,634)	(0.26)
Transfer (to) from other funds	(3,196,152)	(5.92)	(3,207,398)	(5.74)
Total	<u>\$ 54,002,137</u>	<u>100.00 %</u>	<u>\$ 55,835,677</u>	<u>100.00 %</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Fremont's *governmental funds* reported combined ending fund balances of \$43,293,246. Approximately 25.1 percent of this total amount (\$10,857,064) 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 (\$109,863), 2) restricted for street improvements (\$11,062,447), 3) restricted for public safety (\$1,598,078), 4) restricted for infrastructure (\$6,078,070), 5) restricted for property tax relief (\$541,822), 6) restricted for economic development (\$7,082,541), 7) restricted for a variety of capital/special projects (\$2,343,072), 8) restricted for Federal programs (\$922,899), 9) restricted for community betterment (\$575,612), 10) committed for code enforcement/defense (\$1,847,616), 11) assigned for downtown improvement projects (\$18,078), 12) assigned for the airport (\$85,463), 13) endowed as non-spendable principal (\$125,000), 14) non-spendable prepaid expense (\$38,142) or 15) non-spendable notes receivable (\$7,479).

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2016

The General Fund is the chief operating fund of the City of Fremont. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$11,127,155. 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 65.3 percent of total General Fund expenditures.

The fund balance of the City of Fremont's General Fund increased by \$1,057,894 during the current fiscal year, due in part to the City Council imposing a 1.25 percent Food & Beverage Tax, accounting for \$700,000 in new revenues, as well as tipping fees at the City's waste transfer station outpacing budget by \$53,000. Expenditure savings included \$247,500 in personal services, \$219,000 in contractual services, \$530,000 in commodities (led by remaining contingency of \$144,000 and fuel savings of \$83,000), and capital projects not completed, totaling \$321,000.

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

Unrestricted net position of the *proprietary funds* at the end of the year were as follows: Electric Fund - \$26,157,136, Water Fund - \$2,673,931, Sewer Fund - \$7,850,973, and Gas Fund - \$7,615,778. The change in net position for the proprietary funds was as follows: Electric Fund - \$2,827,098, Water Fund - \$645,149, Sewer Fund - \$852,551, and Gas Fund - \$(7,258). The increase in the Electric Fund net position was attributable to a November 2015 four percent rate increase in the electric fund, increased off system sales and a number of projects that included capitalized costs, and salary savings. 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 of Fremont's business-type activities.

Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets. The City of Fremont's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$221,302,812 (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:

- Unit 8 environmental upgrade - \$53,496,003
- Unit 8 precipitator rebuild - \$3,805,012
- Electric distribution system improvements - \$1,897,507
- US 77 widening, 5th St to 10th Street - \$1,415,706
- Sewer system improvements - \$527,823
- City Hall chiller replacement - \$512,677
- Plant II propane equipment upgrade - \$451,371
- Water system improvements - \$425,874
- Unit 8 cooling tower fill replacement - \$406,051
- Gas system improvements - \$266,754
- 8B circ water pump upgrade - \$253,317
- Digital control units 6, 7, 8 - \$246,558
- W 6th reconstruction, M Street to Marvin Court - \$234,171

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

- Aerial fire truck - \$925,503
- Unit 8 generator file rewind - \$617,464
- 69kV joint transmission line project - \$599,176
- Ridge Road trail, Hormel loop - \$236,457

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

	Year Ended September 30, 2016			Year Ended September 30, 2015, as restated		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 8,085,378	\$ 4,237,456	\$ 12,322,834	\$ 8,085,378	\$ 4,237,456	\$ 12,322,834
Construction in Progress	8,953,900	2,618,125	11,572,025	7,610,585	53,281,396	60,891,981
Infrastructure	23,522,116	-	23,522,116	22,518,662	-	22,518,662
Buildings and Improvements	8,793,557	-	8,793,557	9,143,670	-	9,143,670
Machinery and Equipment	2,825,589	3,729,368	6,554,957	2,728,491	3,806,663	6,535,154
Distribution Systems,						
Buildings, and Equipment	-	157,051,257	157,051,257	-	101,540,948	101,540,948
Office Furniture						
and Equipment	-	436,931	436,931	-	375,435	375,435
Vehicles	-	1,049,135	1,049,135	-	653,356	653,356
Total	\$ 52,180,540	\$ 169,122,272	\$ 221,302,812	\$ 50,086,786	\$ 163,895,254	\$ 213,982,040

Additional information on the City of Fremont's capital assets can be found in Note C4 on pages 41- 43 of this report.

Long-term debt. At the end of the current fiscal year, the City of Fremont had total bonded debt, notes, and capital leases payable (excluding TIF bonds payable) outstanding of \$70,718,250.

City of Fremont's Outstanding Debt

	Year Ended September 30, 2016			Year Ended September 30, 2015		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
General Obligation Bonds	\$ 3,035,000	\$ -	\$ 3,035,000	\$ 3,280,000	\$ -	\$ 3,280,000
Revenue Bonds	-	67,650,000	67,650,000	-	71,365,000	71,365,000
Notes Payable	33,250	-	33,250	54,250	-	54,250
Total	\$ 3,068,250	\$ 67,650,000	\$ 70,718,250	\$ 3,334,250	\$ 71,365,000	\$ 74,699,250

The City of Fremont's total debt decreased by \$3,981,000 (5.3 percent). The City continues to pay down bonded indebtedness.

The City of Fremont maintains an AA(-) bond rating.

Additional information on the City of Fremont's long-term debt can be found in Note C6 on pages 44 - 46 of this report.

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2016

Economic Factors and Next Year's Budgets and Rates

- The City is in the second year of the two-year budget for 2016 and 2017.
- Property tax assessment for the year ending September 30, 2016 is \$4,755,341, which is 0.3 percent higher than the assessment for the year ended September 30, 2015, 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 \$1,847,616 at September 30, 2016 for this purpose.
- The City enrolled with a new claims processor for health care claims effective October 1, 2016, with projected savings of \$470,000.
- In 2016, the City Council reduced the recently enacted 1.75 percent occupation tax on food and beverage sales in the City to 1.25 percent, effective July 1, 2016. Budgeted projections were based on the 1.75 percent, which may result in lower revenue than expected. Nebraska Revised Statutes limit receipts on this tax to \$700,000 annually.
- 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):
 - Waste water treatment plant improvements - \$7,000,000
 - Additional electrical transmission line progress payments - \$4,150,000
 - Trickling filter media replacement (WWTP) - \$1,000,000
 - Engineering to renovate/remodel four City facilities for possible GO Bond - \$1,400,000
 - 23rd Street and Linden Ave. Railroad viaduct & pedestrian overpass project - \$3,946,000
 - Fremont levee - \$3,100,000
 - Various citywide paving and resurfacing projects - \$2,838,000
- The City Council approved a four percent increase in rates for the Electric Fund effective November 2016. An increase in Sewer Fund rates effective November 2016 is expected to generate an additional \$260,000 in revenue.

All of these factors were considered in preparing the City of Fremont's budget for the 2017 fiscal year.

Request for Information

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

CITY OF FREMONT, NEBRASKA

STATEMENT OF NET POSITION SEPTEMBER 30, 2016

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 19,411,485	\$ 12,130,266	\$ 31,541,751
Investments	24,849,174	21,413,830	46,263,004
County treasurer cash	169,249	-	169,249
Receivables:			
Special assessments	379,767	-	379,767
Accounts, net of allowance for doubtful accounts	365,085	2,515,421	2,880,506
Unbilled revenue	-	3,468,638	3,468,638
Interest	97,932	295,349	393,281
Property tax	193,406	-	193,406
Business tax	214,477	-	214,477
Other tax	262,147	-	262,147
Receivable/payable to other funds	(124,090)	124,090	-
Due from other governments	1,164,757	-	1,164,757
Inventory	-	9,068,317	9,068,317
Prepaid expenses	38,142	151,859	190,001
Total current assets	<u>47,021,531</u>	<u>49,167,770</u>	<u>96,189,301</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	1,518,814	1,518,814
Restricted investments	-	8,782,170	8,782,170
TIF notes receivable	495,716	-	495,716
Notes receivable, net of allowance	2,123,950	-	2,123,950
Unamortized bond discount	-	46,123	46,123
Capital assets:			
Land	8,085,378	4,237,456	12,322,834
Construction in progress	8,953,900	2,618,125	11,572,025
Other capital assets, net of depreciation	35,141,262	162,266,691	197,407,953
Net capital assets	<u>52,180,540</u>	<u>169,122,272</u>	<u>221,302,812</u>
Total noncurrent assets	<u>54,800,206</u>	<u>179,469,379</u>	<u>234,269,585</u>
Total assets	<u>101,821,737</u>	<u>228,637,149</u>	<u>330,458,886</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refundings	5,305	180,597	185,902
Total deferred outflows of resources	<u>5,305</u>	<u>180,597</u>	<u>185,902</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,217,144	3,877,448	5,094,592
Claims liability	721,956	5,794	727,750
Accrued expenses	678,349	1,419,745	2,098,094
Due to other governments	3,953	-	3,953
Unearned revenues	8,400	219,805	228,205
Customer deposits	9,108	527,790	536,898
Current portion of TIF notes payable	149,400	-	149,400
Current portion of compensated absences	900,000	1,100,000	2,000,000
Current portion of long-term obligations	276,000	3,455,001	3,731,001
Total current liabilities	<u>3,964,310</u>	<u>10,605,583</u>	<u>14,569,893</u>
Noncurrent liabilities:			
TIF notes payable	127,330	-	127,330
Compensated absences	284,814	358,168	642,982
Unamortized bond premium	-	1,964,071	1,964,071
Fly ash liability/closure costs payable	-	61,371	61,371
Noncurrent portion of long-term obligations	2,792,250	64,194,999	66,987,249
Total noncurrent liabilities	<u>3,204,394</u>	<u>66,578,609</u>	<u>69,783,003</u>
Total liabilities	<u>7,168,704</u>	<u>77,184,192</u>	<u>84,352,896</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on bond refundings	-	1,084	1,084
Total deferred inflows of resources	<u>-</u>	<u>1,084</u>	<u>1,084</u>
NET POSITION			
Net investment in capital assets	48,569,195	98,542,786	147,111,981
Restricted expendable for:			
Debt service	109,863	8,353,237	8,463,100
Fly ash disposal	-	438,629	438,629
Street improvements	11,114,195	-	11,114,195
Federal grant programs	922,899	-	922,899
Other purposes	18,744,388	-	18,744,388
Restricted - nonspendable	132,479	-	132,479
Unrestricted	15,065,319	44,297,818	59,363,137
Total net position	<u>\$ 94,658,338</u>	<u>\$ 151,632,470</u>	<u>\$ 246,290,808</u>

See Notes to Financial Statements

CITY OF FREMONT, NEBRASKA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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
Primary government:							
Governmental activities:							
General government	\$ 4,800,223	\$ 1,246,566	\$ 278,588	\$ -	(3,275,069)		\$ (3,275,069)
Public safety	8,425,934	1,439,887	168,309	25,720	(6,792,018)		(6,792,018)
Public works	2,959,941	387,328	915,553	1,486,523	(170,537)		(170,537)
Environment and leisure	3,098,751	612,803	35,049	50,000	(2,400,899)		(2,400,899)
Non-departmental	281,648	-	-	-	(281,648)		(281,648)
Interest on long-term debt	83,792	-	-	-	(83,792)		(83,792)
Depreciation and amortization	1,934,634	-	-	-	(1,934,634)		(1,934,634)
Total governmental activities	<u>21,584,923</u>	<u>3,686,584</u>	<u>1,397,499</u>	<u>1,562,243</u>	<u>(14,938,597)</u>		<u>(14,938,597)</u>
Business-type activities:							
Electric	32,340,015	37,334,583	-	-	-	\$ 4,994,568	4,994,568
Water	2,662,625	3,342,646	-	36,774	-	716,795	716,795
Sewer	4,179,971	5,041,185	-	180,466	-	1,041,680	1,041,680
Gas	10,501,986	11,222,526	-	-	-	720,540	720,540
Total business-type activities	<u>49,684,597</u>	<u>56,940,940</u>	<u>-</u>	<u>217,240</u>	<u>-</u>	<u>7,473,583</u>	<u>7,473,583</u>
Total primary government	<u>\$ 71,269,520</u>	<u>\$ 60,627,524</u>	<u>\$ 1,397,499</u>	<u>\$ 1,779,483</u>	<u>(14,938,597)</u>	<u>7,473,583</u>	<u>(7,465,014)</u>
General revenues:							
Taxes:							
Property					4,638,681	-	4,638,681
Motor vehicle					525,670	-	525,670
TIF payments					247,656	-	247,656
Sales tax					6,096,818	-	6,096,818
Payments in lieu of taxes					9,678	-	9,678
Franchise					233,381	-	233,381
Other taxes					1,901,548	-	1,901,548
State allocation					3,416,337	-	3,416,337
Keno					593,400	-	593,400
Special assessments					(918)	-	(918)
Miscellaneous					23,737	-	23,737
Interest income					208,557	295,599	504,156
Loss on sale of assets					2,147	(255,490)	(253,343)
Transfer (to) from other funds					3,196,152	(3,196,152)	-
Total general revenues					<u>21,092,844</u>	<u>(3,156,043)</u>	<u>17,936,801</u>
Change in net position					<u>6,154,247</u>	<u>4,317,540</u>	<u>10,471,787</u>
Net position - September 30, 2015, as originally reported					84,446,651	145,319,958	229,766,609
Restatement					4,057,440	1,994,972	6,052,412
Net position - September 30, 2015,					<u>88,504,091</u>	<u>147,314,930</u>	<u>235,819,021</u>
Net position - September 30, 2016					<u>94,658,338</u>	<u>\$ 151,632,470</u>	<u>\$ 246,290,808</u>

CITY OF FREMONT, NEBRASKA

**BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,369,895	\$ 2,737,612	\$ 5,971,846	\$ 2,690,001	\$ 17,769,354
Investments	6,324,174	3,850,000	11,450,000	1,725,000	23,349,174
County treasurer cash	113,436	46,936	-	8,877	169,249
Receivables:					
Special assessments	27,767	26,167	-	325,833	379,767
Accounts, net of allowance for doubtful accounts	317,641	11,052	-	30,594	359,287
Notes receivable, net of allowance for doubtful accounts	7,479	-	913,333	1,203,138	2,123,950
Interest	18,596	18,008	33,010	26,522	96,136
Property tax	180,756	-	-	12,650	193,406
Business tax	183,011	-	-	31,408	214,419
Other tax	-	262,147	-	-	262,147
TIF bonds receivable	-	-	-	495,716	495,716
Due from other governments	13,740	-	1,059,804	91,213	1,164,757
Due from other funds	967,763	10,346	135,898	352,662	1,466,669
Prepaid expenses	38,142	-	-	-	38,142
Total assets	\$ 14,562,400	\$ 6,962,268	\$ 19,563,891	\$ 6,993,614	\$ 48,082,173
LIABILITIES					
Accounts payable	\$ 444,649	\$ 279,303	\$ -	\$ 493,136	\$ 1,217,088
Accrued expenses	568,996	65,544	-	43,809	678,349
Due to other governments	3,953	-	-	-	3,953
Due to other funds	245,022	3,134	568,361	774,242	1,590,759
TIF bond payable	-	-	-	276,730	276,730
Customer deposits	9,108	-	-	-	9,108
Unearned revenue	-	-	-	8,400	8,400
Total liabilities	<u>1,271,728</u>	<u>347,981</u>	<u>568,361</u>	<u>1,596,317</u>	<u>3,784,387</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	91,963	-	-	5,883	97,846
Unavailable revenue - other local taxes	27,767	26,167	-	201,719	255,653
Unavailable revenue - fees and other	150,550	25,581	33,010	86,617	295,758
Unavailable revenue - notes	-	-	-	355,283	355,283
Total deferred inflows	<u>270,280</u>	<u>51,748</u>	<u>33,010</u>	<u>649,502</u>	<u>1,004,540</u>
FUND BALANCES (DEFICIT)					
Nonspendable:					
Permanent fund principal	-	-	-	125,000	125,000
Prepaid expenses	38,142	-	-	-	38,142
Notes receivable	7,479	-	-	-	7,479
Restricted for:					
Debt service	-	-	-	109,863	109,863
Street improvements	-	6,562,539	4,499,908	-	11,062,447
Public safety	-	-	1,326,000	272,078	1,598,078
Infrastructure	-	-	6,078,070	-	6,078,070
Property tax relief	-	-	541,822	-	541,822
Economic development	-	-	6,516,720	565,821	7,082,541
Capital/special projects	-	-	-	2,343,072	2,343,072
Federal programs	-	-	-	922,899	922,899
Community betterment	-	-	-	575,612	575,612
Committed for:					
Code enforcement/defense	1,847,616	-	-	-	1,847,616
Assigned for:					
Other	-	-	-	103,541	103,541
Unassigned	11,127,155	-	-	(270,091)	10,857,064
Total fund balances	<u>13,020,392</u>	<u>6,562,539</u>	<u>18,962,520</u>	<u>4,747,795</u>	<u>43,293,246</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 14,562,400	\$ 6,962,268	\$ 19,563,891	\$ 6,993,614	\$ 48,082,173

See Notes to Financial Statements

CITY OF FREMONT, NEBRASKA

RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total fund balances - governmental funds \$ 43,293,246

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 \$77,534,864, and the accumulated depreciation is \$25,354,324. 52,180,540

Deferred amounts on bond refundings are not financial resources and, therefore, are not reported as assets in governmental funds. 5,305

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. 2,427,771

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are deferred 1,004,540

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	\$ (1,184,814)	
Bonds and notes payable	<u>(3,068,250)</u>	<u>(4,253,064)</u>

Total net position - governmental activities \$ 94,658,338

CITY OF FREMONT, NEBRASKA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 4,342,638	\$ -	\$ -	\$ 327,259	\$ 4,669,897
Motor vehicle	-	525,670	-	-	525,670
TIF payments	-	-	-	247,656	247,656
Sales tax	-	-	6,096,818	-	6,096,818
Payments in lieu of taxes	8,999	-	-	679	9,678
Franchise	233,381	-	-	-	233,381
Business	1,761,728	-	-	139,820	1,901,548
Intergovernmental	899,957	3,524,769	-	1,147,126	5,571,852
Keno	-	-	-	593,400	593,400
Charges for services	2,641,146	38,834	25,032	228,490	2,933,502
Donations	50,295	-	-	-	50,295
Interest income	32,458	27,972	47,653	22,583	130,666
Other income	18,875	2,754	-	36,687	58,316
Total revenues	<u>9,989,477</u>	<u>4,119,999</u>	<u>6,169,503</u>	<u>2,743,700</u>	<u>23,022,679</u>
EXPENDITURES					
General government	4,464,060	-	70,042	621,558	5,155,660
Public safety	8,522,622	-	-	948,639	9,471,261
Public works	380,152	3,183,761	-	320,078	3,883,991
Environment and leisure	3,382,453	-	-	211,747	3,594,200
Employee insurance	281,648	-	-	-	281,648
Principal payments on debt	-	-	-	266,000	266,000
Interest on long-term debt	-	-	-	83,728	83,728
Total expenditures	<u>17,030,935</u>	<u>3,183,761</u>	<u>70,042</u>	<u>2,451,750</u>	<u>22,736,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,041,458)</u>	<u>936,238</u>	<u>6,099,461</u>	<u>291,950</u>	<u>286,191</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,158,567	186,665	-	344,946	8,690,178
Transfers out	(59,215)	-	(4,922,324)	(512,487)	(5,494,026)
Net other sources and uses	<u>8,099,352</u>	<u>186,665</u>	<u>(4,922,324)</u>	<u>(167,541)</u>	<u>3,196,152</u>
Net change in fund balances	<u>1,057,894</u>	<u>1,122,903</u>	<u>1,177,137</u>	<u>124,409</u>	<u>3,482,343</u>
Fund balances - September 30, 2015, as originally reported	11,526,095	5,379,299	17,785,383	4,598,510	39,289,287
Restatement of fund balances	436,403	60,337	-	24,876	521,616
Fund balances - September 30, 2015, as restated	<u>11,962,498</u>	<u>5,439,636</u>	<u>17,785,383</u>	<u>4,623,386</u>	<u>39,810,903</u>
Fund balances - September 30, 2016	<u>\$ 13,020,392</u>	<u>\$ 6,562,539</u>	<u>\$ 18,962,520</u>	<u>\$ 4,747,795</u>	<u>\$ 43,293,246</u>

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, 2016**

Total net change in fund balances - governmental funds	\$ 3,482,343
Amounts reported for governmental <i>activities</i> in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$2,494,539) exceed depreciation expense (\$1,934,634) and disposal of capital assets (\$2,674) in the period.	557,231
Deferred outflows of resources relating to loss on refundings of long-term debt are not current financial resources, and, therefore, the amortization of these deferred outflows are not reported as expenditures in the funds.	(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.	316,408
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.	(22,638)
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.	28,860
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 (\$1,536,523) exceeded the change in deferred inflows in the governmental funds (\$42,950)	1,526,583
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	266,000
Change in net position of governmental activities	\$ 6,154,247

CITY OF FREMONT, NEBRASKA

**STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2016**

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 5,633,361	\$ 1,881,374	\$ 2,201,811	\$ 2,413,720	\$ 12,130,266	\$ 1,642,131
Investments	12,316,175	-	5,097,655	4,000,000	21,413,830	1,500,000
Receivables:						
Accounts, net of allowance for doubtful accounts	1,762,817	281,616	170,854	300,134	2,515,421	5,798
Unbilled revenue	2,300,058	235,075	392,058	541,447	3,468,638	58
Due from other funds	116,664	4,925	2,109	948	124,646	-
Due from other governments	-	-	-	-	-	-
Interest	193,548	10,026	51,995	39,780	295,349	1,796
Inventory	7,281,443	390,040	137,161	1,259,673	9,068,317	-
Prepaid expenses	76,031	18,507	18,507	38,814	151,859	-
Total current assets	<u>29,680,097</u>	<u>2,821,563</u>	<u>8,072,150</u>	<u>8,594,516</u>	<u>49,168,326</u>	<u>3,149,783</u>
Noncurrent assets:						
Restricted cash and cash equivalents	1,509,118	9,696	-	-	1,518,814	-
Restricted investments	7,629,825	875,000	277,345	-	8,782,170	-
Unamortized bond discount	46,123	-	-	-	46,123	-
Capital assets:						
Land	2,086,695	1,890,618	143,803	116,340	4,237,456	-
Construction in progress	2,282,245	101,874	137,137	96,869	2,618,125	-
Depreciable capital assets	202,088,969	39,988,357	50,740,022	15,883,510	308,700,858	-
Less accumulated depreciation	(94,759,514)	(16,337,872)	(24,632,264)	(10,704,517)	(146,434,167)	-
Net capital assets	<u>111,698,395</u>	<u>25,642,977</u>	<u>26,388,698</u>	<u>5,392,202</u>	<u>169,122,272</u>	<u>-</u>
Total noncurrent assets	<u>120,883,461</u>	<u>26,527,673</u>	<u>26,666,043</u>	<u>5,392,202</u>	<u>179,469,379</u>	<u>-</u>
Total assets	<u>150,563,558</u>	<u>29,349,236</u>	<u>34,738,193</u>	<u>13,986,718</u>	<u>228,637,705</u>	<u>3,149,783</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on bond refundings	133,825	27,546	19,226	-	180,597	-
Total deferred outflows of resources	<u>133,825</u>	<u>27,546</u>	<u>19,226</u>	<u>-</u>	<u>180,597</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable	2,927,721	142,495	145,154	662,078	3,877,448	56
Due to other funds	-	-	123	433	556	-
Accrued payroll	452,867	20,484	51,117	50,523	574,991	-
Sales tax payable	248,103	13	-	334	248,450	-
Accrued interest payable	562,489	31,009	2,806	-	596,304	-
Unearned revenue	219,805	-	-	-	219,805	-
Customer deposits	527,790	-	-	-	527,790	-
Claims liability	5,794	-	-	-	5,794	721,956
Current portion of long-term obligations	2,507,356	635,434	312,211	-	3,455,001	-
Current portion of compensated absences	888,000	25,000	47,000	140,000	1,100,000	-
Total current liabilities	<u>8,339,925</u>	<u>854,435</u>	<u>558,411</u>	<u>853,368</u>	<u>10,606,139</u>	<u>722,012</u>
Noncurrent liabilities:						
Fly ash liability	61,371	-	-	-	61,371	-
Current portion of compensated absences	159,140	26,503	47,155	125,370	358,168	-
Unamortized bond premium	1,918,215	45,856	-	-	1,964,071	-
Noncurrent portion of long-term obligations	56,684,670	5,714,934	1,795,395	-	64,194,999	-
Total noncurrent liabilities	<u>58,823,396</u>	<u>5,787,293</u>	<u>1,842,550</u>	<u>125,370</u>	<u>66,578,609</u>	<u>-</u>
Total liabilities	<u>67,163,321</u>	<u>6,641,728</u>	<u>2,400,961</u>	<u>978,738</u>	<u>77,184,748</u>	<u>722,012</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred gain on bond refundings	421	425	238	-	1,084	-
Total deferred inflows of resources	<u>421</u>	<u>425</u>	<u>238</u>	<u>-</u>	<u>1,084</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	49,746,680	19,176,002	24,227,902	5,392,202	98,542,786	-
Restricted for:						
Debt service	7,191,196	884,696	277,345	-	8,353,237	-
Fly ash disposal	438,629	-	-	-	438,629	-
Unrestricted	26,157,136	2,673,931	7,850,973	7,615,778	44,297,818	2,427,771
Total net position	<u>\$ 83,533,641</u>	<u>\$ 22,734,629</u>	<u>\$ 32,356,220</u>	<u>13,007,980</u>	<u>\$ 151,632,470</u>	<u>\$ 2,427,771</u>

CITY OF FREMONT, NEBRASKA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
Operating revenues:						
Charges for services	\$ 37,188,107	\$ 3,297,196	\$ 4,989,272	\$ 11,222,526	\$ 56,697,101	5,550,320
Contributions from other funds	-	-	-	-	-	1,671,681
Other revenue	146,476	45,450	51,913	-	243,839	-
Total operating revenues	<u>37,334,583</u>	<u>3,342,646</u>	<u>5,041,185</u>	<u>11,222,526</u>	<u>56,940,940</u>	<u>7,222,001</u>
Operating expenses:						
Cost of power/gas	2,484,916	-	-	7,523,292	10,008,208	-
Production	19,257,767	389,223	1,694,800	-	21,341,790	-
Distribution	2,741,079	610,746	534,620	1,420,929	5,307,374	-
Customer accounting and collections	1,642,189	540,763	560,401	1,082,219	3,825,572	-
Administrative and general	1,725	1,170	528	100	3,523	3,348
Employee insurance	-	-	-	-	-	6,188,910
Workers' compensation	-	-	-	-	-	731,855
Depreciation	4,764,732	951,565	1,321,685	460,386	7,498,368	-
Total operating expenses	<u>30,892,408</u>	<u>2,493,467</u>	<u>4,112,034</u>	<u>10,486,926</u>	<u>47,984,835</u>	<u>6,924,113</u>
Operating income	<u>6,442,175</u>	<u>849,179</u>	<u>929,151</u>	<u>735,600</u>	<u>8,956,105</u>	<u>297,888</u>
Nonoperating revenues (expenses):						
Interest income	201,023	11,540	46,802	36,234	295,599	18,520
Interest expense	(1,447,607)	(169,158)	(67,937)	(15,060)	(1,699,762)	-
Gain (loss) on sale of assets	(224,324)	-	-	(31,166)	(255,490)	-
Grant revenue	-	-	145,168	-	145,168	-
Contributed capital	-	36,774	35,298	-	72,072	-
Total nonoperating revenues (expenses)	<u>(1,470,908)</u>	<u>(120,844)</u>	<u>159,331</u>	<u>(9,992)</u>	<u>(1,442,413)</u>	<u>18,520</u>
Income (loss) before interfund transfers	<u>4,971,267</u>	<u>728,335</u>	<u>1,088,482</u>	<u>725,608</u>	<u>7,513,692</u>	<u>316,408</u>
Interfund transfers:						
Transfer from other funds	59,215	106,134	85,063	-	250,412	-
Transfer to other funds	(2,203,384)	(189,320)	(320,994)	(732,866)	(3,446,564)	-
Net transfers	<u>(2,144,169)</u>	<u>(83,186)</u>	<u>(235,931)</u>	<u>(732,866)</u>	<u>(3,196,152)</u>	<u>-</u>
Change in net position	<u>2,827,098</u>	<u>645,149</u>	<u>852,551</u>	<u>(7,258)</u>	<u>4,317,540</u>	<u>316,408</u>
Net position - September 30, 2015	78,655,393	22,098,578	31,517,549	13,048,438	145,319,958	2,111,363
Restatement	2,051,150	(9,098)	(13,880)	(33,200)	1,994,972	-
Net position - September 30, 2015 as restated	<u>80,706,543</u>	<u>22,089,480</u>	<u>31,503,669</u>	<u>13,015,238</u>	<u>147,314,930</u>	<u>2,111,363</u>
Net position - September 30, 2016	<u>\$ 83,533,641</u>	<u>\$ 22,734,629</u>	<u>\$ 32,356,220</u>	<u>\$ 13,007,980</u>	<u>\$ 151,632,470</u>	<u>\$ 2,427,771</u>

CITY OF FREMONT, NEBRASKA

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Enterprise Funds		Enterprise Funds		Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 36,787,974	\$ 3,320,224	\$ 5,058,833	\$ 11,186,803	\$ 56,353,834	\$ (58)
Receipts from other funds	-	-	-	-	-	7,217,451
Payments to suppliers	(16,439,275)	(543,212)	(1,184,878)	(8,205,036)	(26,372,401)	(6,670,295)
Payments to employees	(9,529,637)	(1,055,166)	(1,568,662)	(1,881,855)	(14,035,320)	-
Net cash provided (used) by operating activities	<u>10,819,062</u>	<u>1,721,846</u>	<u>2,305,293</u>	<u>1,099,912</u>	<u>15,946,113</u>	<u>547,098</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers from other funds	59,215	106,134	85,063	-	250,412	-
Transfers to other funds	(2,203,384)	(189,320)	(320,994)	(732,866)	(3,446,564)	-
Interfund loans	(65,063)	151	(354)	1,165	(64,101)	-
Net cash provided (used) by noncapital financing activities	<u>(2,209,232)</u>	<u>(83,035)</u>	<u>(236,285)</u>	<u>(731,701)</u>	<u>(3,260,253)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of property and equipment	(12,059,565)	(317,412)	(630,281)	(397,893)	(13,405,151)	-
Proceeds from sale of property and equip.	24,859	-	-	-	24,859	-
Proceeds from capital grant	-	-	145,168	-	145,168	-
Proceeds from issuance of capital debt, (net of issuance costs)	-	1,064,417	1,219,018	-	2,283,435	-
Principal payments on capital debt	(2,462,921)	(1,658,714)	(1,512,738)	(390,628)	(6,025,001)	-
Interest paid on capital debt	(2,188,673)	(160,858)	(53,506)	(11,660)	(2,414,697)	-
Increase (decrease) in fly ash liability	(188,057)	-	-	-	(188,057)	-
Net cash provided (used) by capital and related financing activities	<u>(16,874,357)</u>	<u>(1,072,567)</u>	<u>(832,339)</u>	<u>(800,181)</u>	<u>(19,579,444)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
(Increase) decrease in investments	(997,200)	-	(1,000,000)	(1,000,000)	(2,997,200)	-
Interest received on investments	133,303	6,309	16,026	16,296	171,934	33,950
Net cash provided (used) by investing activities	<u>(863,897)</u>	<u>6,309</u>	<u>(983,974)</u>	<u>(983,704)</u>	<u>(2,825,266)</u>	<u>33,950</u>
Increase (decrease) in cash and cash equivalents	(9,128,424)	572,553	252,695	(1,415,674)	(9,718,850)	581,048
Cash and cash equivalents - beginning of the year	16,270,903	1,318,517	1,949,116	3,829,394	23,367,930	1,061,083
Cash and cash equivalents - end of the year	<u>\$ 7,142,479</u>	<u>\$ 1,891,070</u>	<u>\$ 2,201,811</u>	<u>\$ 2,413,720</u>	<u>\$ 13,649,080</u>	<u>\$ 1,642,131</u>
Composition of cash and cash equivalents:						
Cash and cash equivalents	\$ 5,633,361	\$ 1,881,374	\$ 2,201,811	\$ 2,413,720	\$ 12,130,266	\$ 1,642,131
Restricted cash and cash equivalents	1,509,118	9,696	-	-	1,518,814	-
Total cash and cash equivalents	<u>\$ 7,142,479</u>	<u>\$ 1,891,070</u>	<u>\$ 2,201,811</u>	<u>\$ 2,413,720</u>	<u>\$ 13,649,080</u>	<u>\$ 1,642,131</u>

See Notes to Financial Statements

CITY OF FREMONT, NEBRASKA

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Enterprise Funds		Enterprise Funds		Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	\$ 6,442,175	\$ 849,179	\$ 929,151	\$ 735,600	\$ 8,956,105	\$ 297,888
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	4,764,732	951,565	1,321,685	460,386	7,498,368	-
Change in assets and liabilities:						
Accounts receivable and unbilled revenue	(320,154)	(21,596)	17,646	(35,723)	(359,827)	(4,608)
Inventories	239,531	(84,250)	4,493	47,114	206,888	-
Prepaid expenses	22,097	10,804	18,538	9,133	60,572	-
Accounts payable	(226,690)	40,794	17,419	(119,188)	(287,665)	(42)
Accrued payroll	92,947	(464)	16,864	5,571	114,918	-
Accrued compensated absences	(6,595)	(22,810)	(20,503)	(3,133)	(53,041)	-
Other accrued expenses	37,475	(551)	-	152	37,076	-
Unearned revenue	(296,560)	-	-	-	(296,560)	-
Customer deposits	68,944	(825)	-	-	68,119	-
Claims liability	1,160	-	-	-	1,160	253,860
Net cash provided by operating activities	<u>\$ 10,819,062</u>	<u>\$ 1,721,846</u>	<u>\$ 2,305,293</u>	<u>\$ 1,099,912</u>	<u>\$ 15,946,113</u>	<u>\$ 547,098</u>
Supplemental disclosure of noncash capital and related financing activities						
Capital asset acquisitions included in accounts payable	\$ 1,967,630	66,864	69,372	-	2,103,866	-

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, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fremont, Nebraska (the “City”) are prepared in accordance with generally accepted accounting principles (“GAAP”). The City’s reporting entity applies all relevant Governmental Accounting Standards Board (“GASB”) pronouncements.

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

1. Financial Reporting Entity

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

These financial statements present the financial statements of the City as the primary government. In determining its reporting entity, the City has considered all potential component units for which it is financially accountable, including other organizations which are fiscally dependent on the City, or the significance of their relationship with the City are such that exclusion would make the financial statements misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability, which was used in making this evaluation. The City has no material 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. The statements distinguish between governmental and business-type activities. The material effect of interfund activity has been removed from these statements. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Basis of Presentation, Continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. 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.

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
September 30, 2016

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.
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 CDBG grants.
Weatherization EDA (HUD)		Accounts for weatherization revolving loans funded by HUD grants.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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:	
Economic Enhancement	Accounts for economic enhancement programs of the City.
Airport Fund	Accounts for the operation and maintenance of the municipal airport.
Enhanced and Wireless 911	Accounts for the per-line telephone surcharge and per-line cell phone surcharge for the emergency communications system.
Drug Task Force	Accounts for Federal grant proceeds and payments from surrounding governmental entities under an interlocal agreement to combat drug use in Fremont and surrounding communities.
Community Development Agency	Accounts for the resources for payment of principal and interest on tax increment financing bonds issued by the Community Development Agency of the City of Fremont. These bonds were issued to provide long-term financing for the several development areas. These bonds are payable only from real estate taxes on certain property located within these plan areas and do not constitute general obligations of the Agency or the City.

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 total 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. Internal service fund activity is eliminated.

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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

3. Measurement Focus and Basis of Accounting, Continued

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.

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

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, savings accounts and an external investment pool. 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 by the Dodge County Treasurer's office.

The external investment pool primarily invests in government agency securities, certificates of deposit, demand deposits and repurchase agreements which are valued at amortized cost, which approximates fair value based on the short-term nature of the instruments. The City carries its interest in the external investment pool and certificates of deposit at amortized cost.

Interest of investments and deposits are allocated to the funds based on the fund's proportionate share of the investment balance. Additional cash and investment disclosures are presented in Notes B2, C1, and D2.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Receivables

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.

Notes Receivable

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

Due from Other Governments

The total due from other governments includes the following amounts:

<u>Fund</u>	<u>Amount</u>	<u>Service</u>
General	\$ 13,740	Interlocal reimbursement/ Library Commission payments
Sales tax	1,059,804	Sales Tax
CDBG	22,853	Grant reimbursement
Enhanced 911	<u>68,360</u>	E911 tax
Total	<u>\$1,164,757</u>	

Inventory

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

Inventories consist of the following at September 30, 2016:

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
Coal	\$2,857,919	\$ -	\$ -	\$ -	\$2,857,919
Natural Gas	-	-	-	788,330	788,330
Production Supplies	2,830,518	390,040	137,161	92,876	3,450,595
Distribution Supplies	1,528,018	-	-	378,467	1,906,485
Other	64,988	-	-	-	64,988
	<u>\$7,281,443</u>	<u>\$390,040</u>	<u>\$ 137,161</u>	<u>\$1,259,673</u>	<u>\$9,068,317</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Restricted Assets

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

Capital Assets

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

Government-wide Statements

In the government-wide financial statements, capital assets are capitalized and reported on the Statement of Net Position. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. 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 and infrastructure	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.

The City records capitalized interest on proprietary fund fixed asset additions with a construction period of greater than one year, with an estimated total cost of \$1 million in accordance with GASB 62. The amount of capitalized interest for the current year is \$568,207.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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 or 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 has one item that qualifies for reporting in this category, the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position or 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 three items that qualify for reporting in this category: (1) Unavailable revenue received after the availability period. This includes property taxes plus other local taxes and fees received after 60 days. They are reported as deferred inflows on the governmental funds balance sheet and will be recognized as revenue next year. (2) Unavailable revenue relating to loans. (3) Deferred gain on refunding reported in the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Compensated Absences

City employees earn sick leave at the rate of 3.70-8.31 hours per biweekly pay period, depending on their hire date. Half-time and three-quarter time employees receive applicable percentages of these same rates. Vacation and sick leave hours are accumulated on a biweekly basis and are fully vested when earned. Limitations on accumulated sick leave vary based on labor agreements, but in no case will accumulated sick leave payout exceed 50% of the accumulated balance, up to 1116 hours. Accumulated vacation limitations vary from 230-304 hours depending on labor agreement. All accumulated vacation and sick leave, subject to limitations noted, is paid at separation.

All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental funds, only compensated absences that have matured as of year-end, for example, as a result of employee resignations and retirements, are recorded as a fund liability. Accruals are based on current salary rates plus an additional amount for compensation-related payments such as Social Security and Medicare taxes and pension amounts using rates in effect at that date.

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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

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 life of the respective bonds. The long-term debt consists primarily of bonds payable and a fly ash liability.

Fund Financial Statements

The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures, as well as payment of principal.

Net Position Flow Assumption

Government-wide Statements

Net position is classified and displayed in three components:

- a. Net invested in capital assets – Consists of capital assets, 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 invested in capital assets.”

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

Fund Balance Flow Assumption

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

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

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 stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – Amounts that can be used only for specific purposes determined by a formal action by the City Council through an ordinance or resolution. Commitments may be changed or lifted only by passage of an ordinance or issuance of a resolution by the City Council.

Assigned – Amounts that are intended to be used by the City for specific purposes as determined by management. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

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.

During 2016, the City retroactively restated beginning net position/fund balance to properly reflect federal grant revenues, capitalized interest and compensated absences as of September 30, 2015. The following table summarizes these adjustments and what their impact would have been on the change in net position/fund balance for the 2015 fiscal year.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

Governmental Funds	General Fund	Street Fund	Non-Major Governmental Funds	
Fund balance at September 30, 2015 as originally reported	\$ 11,526,095	\$ 5,379,299	\$ 4,598,510	
Adjustment to remove accrued vacation from expenditures	<u>436,403</u>	<u>60,337</u>	<u>24,876</u>	
Fund balance at September 30, 2015, as restated	<u>\$ 11,962,498</u>	<u>\$ 5,439,636</u>	<u>\$ 4,623,386</u>	
Approximate impact on fiscal 2015 change in fund balance	\$ (7,972)	\$ (6,619)	\$ 5,587	
Enterprise Funds	Electric Fund	Water Fund	Sewer Fund	Gas Fund
Net position balance at September 30, 2015 as originally reported	\$ 78,655,393	\$ 22,098,578	\$ 31,517,549	\$ 13,048,438
Adjustment to include benefits in compensated absence calculation	(128,871)	(9,098)	(13,880)	(33,200)
Adjustment to include capitalized interest in capital assets	<u>2,180,021</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position balance at September 30, 2015, as restated	<u>\$ 80,706,543</u>	<u>\$ 22,089,480</u>	<u>\$ 31,503,669</u>	<u>\$ 13,015,238</u>
Approximate impact on fiscal 2015 change in net position	\$ 1,631,359	\$ (88)	\$ (1,863)	\$ (1,037)

September 30, 2015, net position for the governmental and business-type activities were restated as follows:

	Governmental Activities	Business-Type Activities	Total
Balance at September 30, 2015, as originally reported	\$ 84,446,651	\$ 145,319,958	\$ 229,766,609
Increase in federal grants reported by State	4,177,681	-	4,177,681
Increase in capital assets for capitalized interest	-	2,180,021	2,180,021
Increase in compensated absences for benefits	<u>(120,241)</u>	<u>(185,049)</u>	<u>(305,290)</u>
Balance at September 30, 2015, as restated	<u>\$ 88,504,091</u>	<u>\$ 147,314,930</u>	<u>\$ 235,819,021</u>
Approximate impact on fiscal 2015 change in net position	\$ 89,922	\$ 1,628,371	\$ 1,718,293

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, and 1/2% – divided in equal thirds for economic development, street improvements, and public safety.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

5. Revenues, Expenditures, and Expenses, Continued

Sales and Use Tax, Continue

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. Property taxes levied for 2015-2016 are recorded as revenue when expected to be collected within 60 days after September 30, 2016. 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.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Historically, substantially all property taxes have been collected.

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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Fund Accounting Requirements

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

2. Deposit Laws and Regulations

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

Section 16-714 and 16-715 of the Revised Statutes of Nebraska 1943 require 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.

Cash at the County Treasurer of \$169,249 was covered by collateral held by the County.

3. Revenue Restrictions

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

4. Debt Restrictions and Covenants

Bonds Payable

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

5. Budgetary Data

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

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

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

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

5. Budgetary Data, Continued

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

NOTE C – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for the City's various assets, liabilities, deferred outflows/inflows of resources, net position/fund balances, revenues and expenditures/expenses.

1. Cash and Investments

The City's policies regarding deposits of cash are discussed in Note A4 and the City's policies regarding risk management over deposits and investments are discussed in Note D2. The City's cash deposits and investments are with institutions insured by the Federal Deposit Insurance Corporation ("FDIC") and other collateral. At September 30, 2016, 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	\$ 31,541,751
Restricted	1,518,814
Investments –	
Unrestricted	46,263,004
Restricted	<u>8,782,170</u>
Total	<u>\$88,105,739</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

1. Cash and Investments, Continued

Investments and cash equivalents consist of the following:

Certificates of deposit	\$ 55,045,714
Deposit accounts and cash on hand	29,375,683
External investment pool	<u>3,684,342</u>
Total	<u>\$88,105,739</u>

The majority of the business-type restricted assets, \$10,300,984, relates to unspent bond proceeds for a construction project, as well as \$8,353,237 relating to debt service reserves required by bond agreements. The remaining \$438,629 restricted investment is restricted to cover fly ash closure costs.

2. Accounts Receivable

Accounts receivable of the business-type activities consists of utilities receivables. Accounts receivable of the governmental activities consist of ambulance (56.0 percent), waste transfer station (17.1 percent), cable franchise tax (13.7 percent), keno (5.4 percent) and other (7.8 percent) receivables. Receivables detailed at September 30, 2016, are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Accounts receivable	\$ 428,249	\$ 3,001,127	\$ 3,429,376
Allowance for doubtful accounts	<u>(63,164)</u>	<u>(485,706)</u>	<u>(548,870)</u>
Net accounts receivable	<u>\$ 365,085</u>	<u>\$ 2,515,421</u>	<u>\$ 2,880,506</u>

3. Notes Receivable

Notes receivable at September 30, 2016, 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.

\$ 7,479

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

3. Notes Receivable, Continued

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.	163,333
\$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.	240,000
\$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.	<u>10,000</u>
Total LB840 Notes Receivable	<u>913,333</u>

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.	\$6,667
\$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.	240,000
\$100,000 note receivable issued October 22, 2012 to Sycamore Leaf Solutions, LLC. The performance-based loan at zero percent interest is forgivable over the five-year life of the loan based on certain benchmarks. 50% was forgiven at the end of year 2 with creation of 3 full-time jobs.	<u>33,000</u>
Total Economic Enhancement Fund notes receivable	<u>279,667</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

3. Notes Receivable, Continued

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. \$ 50,000

\$100,000 note receivable issued November 8, 2011 to Ready Tech Go. The note is non-interest-bearing and is due in 60 monthly installments of \$1,667 commencing December 1, 2011 through November 1, 2016. 3,333

Total CDBG Fund notes receivable 53,333

Weatherization EDA (HUD) Fund:

\$31,235 note advances issued during the year ended September 30, 2016 to one Fremont business and one Fremont resident under CDBG weatherization loans. 31,235

\$19,462 note receivables issued during the year ended September 30, 2016 to two Fremont residents under CDBG weatherization loans. The loans will be non-interest-bearing and repaid over 20 years. 19,462

\$70,251 note receivables issued during the year ended September 30, 2016 to three Fremont residents under CDBG weatherization loans. The loans will be non-interest-bearing and will be forgiven ten percent over 10 years. 68,793

\$50,000 note receivables issued during the year ended September 30, 2016 to two Fremont businesses under CDBG weatherization loans. The loans will be non-interest-bearing and forgiven 20 percent per year over a 5 year period. 45,417

\$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. 63,462

\$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. \$18,611 was added in the year ended September 30, 2015. 37,176

\$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. 9,991

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

3. Notes Receivable, Continued

Weatherization EDA (HUD) Fund, Continued:

<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>\$ 19,114</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>22,916</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>80,440</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>26,509</p>
<p>\$25,000 note receivable issued January 25, 2012 to a Fremont resident under a CDBG weatherization loan. The loan will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period.</p>	<p>13,542</p>
<p>\$33,265 note receivables issued during the year ended September 30, 2012 to two Fremont residents under CDBG weatherization loans. The loans will be non-interest-bearing and will be forgiven 10 percent per year over a 10-year period.</p>	<p>19,404</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>37,612</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>6,499</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>25,840</p>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

3. Accounts and Notes Receivable, Continued

Weatherization EDA (HUD) Fund, Continued:

<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>\$ 22,002</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>3,079</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>4,666</p>
<p>\$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.</p>	<p>1,817</p>
<p>\$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.</p>	<p>2,657</p>
<p>\$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, 2017.</p>	<p>176</p>
<p>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.</p>	<p>12,395</p>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

3. Accounts and Notes Receivable, Continued

Downtown Revitalization Loans (Inc. in Weatherization Fund)

\$100,634 note advances issued during the year ended September 30, 2016 to five Fremont property owners under CDBG downtown revitalization loans. \$ 100,634

\$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. 195,300

Total Weatherization Fund notes receivable 870,138

Total notes receivable 2,123,950

Allowance for doubtful accounts -

Net notes receivable \$ 2,123,950

4. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance at October 1, 2015 (as restated)	Additions	Disposals	Reclass	Balance at September 30, 2016
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 8,085,378	\$ -	\$ -	\$ -	\$ 8,085,378
Construction in progress	7,610,585	3,324,776	-	(1,981,461)	8,953,900
Total capital assets not being depreciated	<u>15,695,963</u>	<u>3,324,776</u>	<u>-</u>	<u>(1,981,461)</u>	<u>17,039,278</u>
Other capital assets being depreciated:					
Infrastructure	32,561,407	50,000	-	1,849,415	34,460,822
Buildings and improvements	16,614,797	33,600	-	71,595	16,719,992
Machinery and equipment	8,656,393	622,686	(24,758)	60,451	9,314,772
Total other capital assets at historical cost	<u>57,832,597</u>	<u>706,286</u>	<u>(24,758)</u>	<u>1,981,461</u>	<u>60,495,586</u>
Less accumulated depreciation for:					
Infrastructure	(10,042,745)	(895,961)	-	-	(10,938,706)
Buildings and improvements	(7,471,127)	(455,308)	-	-	(7,926,435)
Machinery and equipment	(5,927,902)	(583,365)	22,084	-	(6,489,183)
Total accumulated depreciation	<u>(23,441,774)</u>	<u>(1,934,634) *</u>	<u>22,084</u>	<u>-</u>	<u>(25,354,324)</u>
Other capital assets, net	<u>34,390,823</u>	<u>(1,228,348)</u>	<u>(2,674)</u>	<u>1,981,461</u>	<u>35,141,262</u>
Governmental activities capital assets, net	<u>\$ 50,086,786</u>	<u>\$ 2,096,428</u>	<u>\$ (2,674)</u>	<u>\$ -</u>	<u>\$ 52,180,540</u>

* Depreciation expense was incurred by the following governmental activities:

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

4. Capital Assets, Continued

General Fund

General government	<u>\$ 87,160</u>
Public safety:	
Police	89,691
Fire	82,948
Civil defense	740
Protective inspections	<u>5,287</u>
Total public safety	<u>178,666</u>
Public works:	
Civil Engineering	<u>103,711</u>
Environment and leisure:	
Culture and recreation	<u>498,957</u>
Total General Fund	<u>868,494</u>

Street Fund

Public Works	796,747
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Airport Fund

Environment and leisure	182,205
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E911 Fund

Public Safety	<u>87,188</u>
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Total governmental activities depreciation expense	<u>\$ 1,934,634</u>
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CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

4. Capital Assets, Continued

	Balance at October 1, <u>2015</u> (as restated)	<u>Additions</u>	<u>Disposals</u>	Balance at September 30, <u>2016</u>
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,237,456	\$ -	\$ -	\$ 4,237,456
Construction in progress	53,281,394	-	(50,663,269)	2,618,125
Total capital assets not being depreciated	<u>57,518,850</u>	<u>-</u>	<u>(50,663,269)</u>	<u>6,855,581</u>
Other capital assets being depreciated:				
Distribution systems, buildings, and equipment	223,590,739	62,444,695	(344,259)	285,691,175
Machinery and equipment	15,744,810	438,024	(75,889)	16,106,945
Office furniture and equipment	2,200,495	171,934	-	2,372,429
Vehicles	4,157,474	500,015	(127,180)	4,530,309
Total other capital assets at historical cost	<u>245,693,518</u>	<u>63,554,668</u>	<u>(547,328)</u>	<u>308,700,858</u>
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(122,049,791)	(6,772,189)	182,062	(128,639,918)
Machinery and equipment	(11,938,147)	(511,502)	72,072	(12,377,577)
Office furniture and equipment	(1,825,060)	(110,438)	-	(1,935,498)
Vehicles	(3,504,115)	(104,239)	127,180	(3,481,174)
Total accumulated depreciation	<u>(139,317,113)</u>	<u>(7,498,368) *</u>	<u>381,314</u>	<u>(146,434,167)</u>
Other capital assets, net	<u>106,376,405</u>	<u>56,056,300</u>	<u>(166,014)</u>	<u>162,266,691</u>
Business-type activities capital assets, net	<u>\$ 163,895,255</u>	<u>\$ 56,056,300</u>	<u>\$ (50,829,283)</u>	<u>\$ 169,122,272</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 4,764,732
Water	951,565
Sewer	1,321,685
Gas	<u>460,386</u>
Business-type activities depreciation expense	<u>\$ 7,498,368</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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 and Liabilities

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

The following is a summary of changes in long-term debt and liabilities for the year ended September 30, 2016:

<u>Type</u>	Balance at October 1, 2015 (as restated)	Additions	Deductions	Balance at September 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 1,224,889	\$ 848,223	\$ (888,298)	\$ 1,184,814	\$ 900,000
TIF Bonds payable	450,066	-	(173,336)	276,730	149,400
Bonds and notes payable	3,334,250	-	(266,000)	3,068,250	276,000
Total	\$ 5,009,205	\$ 848,223	\$ (1,327,634)	\$ 4,529,794	\$ 1,325,400
Business-type Activities:					
Compensated absences	\$ 1,511,210	\$ 2,095,023	\$ (1,191,220)	\$ 2,415,013	\$ 1,100,000
Unamortized bond premium	2,095,023	-	(130,952)	1,964,071	-
Fly ash liability	249,428	-	(188,057)	61,371	-
Bonds and notes payable	71,365,000	2,310,000	(6,025,000)	67,650,000	3,455,001
Total	\$ 75,220,661	\$ 4,405,023	\$ (7,535,229)	\$ 72,090,455	\$ 4,555,001

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2016 are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	276,000	81,593	3,455,000	2,316,342
2018	277,250	77,768	3,370,000	2,263,898
2019	275,000	72,865	3,655,000	2,208,807
2020	285,000	66,953	3,755,000	2,142,775
2021	295,000	60,113	3,545,000	2,055,795
2022-2026	1,660,000	165,569	18,170,000	8,641,446
2027-2031	-	-	18,790,000	5,342,080
2032-2036	-	-	12,910,000	1,152,488
	\$ 3,068,250	\$ 524,861	\$ 67,650,000	\$ 26,123,631

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

6. Long-term Debt and Liabilities, Continued

Governmental Activities

As of September 30, 2016, 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. The bonds have a call date of October 4, 2016. The bonds are callable after October 4, 2016. \$ 3,035,000

Non-interest-bearing note payable to Nebraska Department of Aeronautics, due in monthly installments of \$1,750 through April 2018. 33,250

Total governmental long-term debt \$ 3,068,250

Current portion \$ 276,000

Noncurrent portion 2,792,250

Total \$ 3,068,250

Business-type Activities

As of September 30, 2016, the long-term debt payable from proprietary fund resources consisted of the following:

Bonds payable:

Combined utilities revenue refunding bonds with an original issue amount of \$2,310,000 was issued September 1, 2016. Interest is due in semi-annual installments on March 1 and September 1 with rates ranging from 0.85 – 1.8 percent. Principal is due in annual installments commencing September 1, 2017 through September 1, 2024. The bonds are callable after September 1, 2021. \$ 2,310,000

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. The bonds are callable after July 29, 2021, with mandatory redemptions after January 15, 2029. 33,885,000

Combined utilities revenue bonds, with an original issue amount of \$9,980,000, issued August 30, 2013, interest rates ranging from 0.30 – 4.5 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. The bonds are callable after August 30, 2018. 8,595,000

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

6. Long-term Debt and Liabilities, Continued

Business-type Activities, Continued

Bonds payable, continued:

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. The bonds are callable after March 6, 2022. \$ 16,850,000

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. The bonds are callable after June 3, 2019. 2,030,000

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 0.25 – 2.15 percent. Principal is due in annual installments commencing August 15, 2015 through August 15, 2023. The bonds are callable after May 5, 2020. 3,980,000

Total bonds payable 67,650,000

Total business-type activity long-term debt \$ 67,650,000

Current portion \$ 3,455,001

Noncurrent portion 64,194,999

Total \$ 67,650,000

Current Refunding

In September 2016, the City issued \$2,310,000 in Combined Utilities Revenue Refunding Bonds. The net proceeds were used to pay the outstanding principal amount and any accrued interest of Refunding Bonds, dated July 19, 2011; Combined Utilities Revenue Refunding Bonds, Series 2011. The current refunding resulted in a cash flow differential of approximately \$280,992 and an economic gain of approximately \$221,302.

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, 2016, the City had incurred a liability of \$61,371 for closure and post closure costs for the disposal area.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

8. Tax Increment Financing Bonds

The Community Development Agency of the City of Fremont, Nebraska has undertaken a program for the redevelopment of certain blighted and substandard areas in the City. Under the program, various developers agree to create an increase in the project's taxable valuation for real estate tax assessment purposes. The Community Development Agency receives the incremental real estate taxes paid on the projects and then uses the tax incremental financing (TIF) funds to assist the developer with the debt service related to the project costs. Estimated future receivables and payables under the redevelopment contracts were as follows as of September 30, 2016:

	<u>Receivable</u>	<u>Payable</u>
TCK Leasing, LLC	\$ 179,065	\$ 179,065
MDI Limited Partnership	52,149	52,149
Logger Investments, LLC	45,516	45,516
South Broad Street, LLC (See footnote C9)	218,986	-
	<u>\$ 495,716</u>	<u>\$ 276,730</u>

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

9. Interfund Transactions and Balances

Due from/to other funds:

At September 30, 2016 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	\$ 124,557
Reimburse shared expenses and payment for service provided	Electric	General	112,842
Payment for service provided	Water	General	4,769
Payment for service provided	Sewer	General	2,081
Payment for service provided	Gas	General	773
Capital expenditures	General	Sales Tax	330,466
Capital expenditures	Street	Sales Tax	9,790
Capital expenditures	Special Projects	Sales Tax	228,105
Reimburse shared expenses and payment for service provided	Electric	Street	2,797
Payment for service provided	Water	Street	156
Payment for service provided	Sewer	Street	28
Payment for service provided	Gas	Street	153
South Broad Street TIF	General	Comm. Dev. Agency	417,297

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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>
South Hangar complex reimbursement	Sales Tax	Airport	\$ 135,898
Payment for service provided	Electric	Airport	1,025
Payment for service provided	Gas	Airport	22
Service cash flow needs	General	CDBG	20,000
Service cash flow needs	General	E911	200,000
Reimburse payment for service provided	Street	Sewer	123
Reimburse payment for service provided	Street	Gas	433

Operating transfers:

<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Sales tax	\$ 4,299,516	\$ -
	500,000	-
Keno		
Public use		
property special projects	220	
Drug Task Force	12,267	
Electric		
	2,153,384	(59,215)
Water	189,320	-
Sewer	320,994	-
Gas	682,866	-
	<hr/>	<hr/>
Total general fund	8,158,567	(59,215)
Street fund:		
Sales tax		
	186,665	-
	<hr/>	<hr/>
Total street fund	186,665	-

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

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

9. Interfund Transactions and Balances, Continued

Operating transfers, continued:

		<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Sales tax fund:				
General	Property tax relief; operating transfers; capital projects		\$ -	\$ (4,299,516)
Street	Various street improvement projects; drainage improvements; reimburse property insurance		-	(186,665)
Special projects	Trail improvements		-	(244,946)
Water	Infrastructure debt service contribution		-	(106,134)
Sewer	Infrastructure debt service contribution		-	(85,063)
Total sales tax fund			-	(4,922,324)
Non-major funds:				
	Economic development – electric and gas to economic enhancement		100,000	-
	Other see above		244,946	(512,487)
Enterprise funds:				
	See above		250,412	(3,446,564)
Total operating transfers			\$ 8,940,590	\$ (8,940,590)

10. Deficit Fund Balance

At September 30, 2016 the Community Development Agency Fund had a deficit balance of \$270,091. Some of the deficit will be offset by the unearned revenue as it is earned in future years. The Community Development Agency also has the right to levy taxes to eliminate a deficit; however, no decision to levy taxes has been made.

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

The City participates in four contributory defined contribution plans (qualified 414(h) plans), 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 of the City of Fremont	Defined Contribution Plan
Police Officers' Retirement Plan	Defined Contribution Plan
Firefighters' Retirement Plan	Defined Contribution Plan
Deferred Compensation Plan	Non-qualified Deferred Compensation Plan

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE D – OTHER NOTES, CONTINUED

1. Employee Pension and Other Benefit Plans, Continued

Retirement Income Plan for City Government Employees

The City of Fremont 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. All employees are fully-vested in their own contributions and become vested in the City's contribution ratably after seven years' participation in the plan. The employees and the City contributed \$680,802 and \$821,317, respectively, as required by the plan for the fiscal year ended September 30, 2016. Forfeitures used to reduce employer contributions as allowed under the Plan were \$33,845. The Plan is administered by a trustee independent of the City and is, therefore, not included in these financial statements.

The City of Fremont, Nebraska Police Officer's Retirement Plan

The City of Fremont, Nebraska Police Officers' Retirement Plan (Police Plan) is a contributory defined contribution employees' pension plan in which all regular full-time sworn officers of the City participate. Employees and the City will each contribute 7 percent of applicable payroll. Employees are immediately eligible to participate in the Police Plan. All employees are fully-vested in their own contributions and vest 40 percent after four years of service plus 10 percent for each year thereafter, up to 100 percent, in the City's contributions to the Plan. The employees and the City contributed \$156,904 and \$156,904, respectively, as required by the Plan for the fiscal year ended September 30, 2016. Forfeitures used to reduce employer contributions as allowed under the Plan were \$9,983. The Plan is administered by a trustee independent of the City and is, therefore, not included in these financial statements.

The City of Fremont, Nebraska Firefighters' Retirement Plan

The City of Fremont, Nebraska Firefighters' Retirement Plan (Firefighters Plan) is a defined contribution plan in which all firefighters of the City participate. The Fire employees are eligible on the first day of employment. The employees contribute 6.5 percent and the City contributes 13 percent of applicable payroll as defined in state statute. 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 to the Plan. The employees and the City contributed \$105,476 and \$210,949, respectively, as required by the Plan for the fiscal year ended September 30, 2016. Forfeitures used to reduce employer contributions as allowed under the Plan were \$13,395. The Plan is administered by a trustee independent of the City and is, therefore, not included in these financial statements.

Deferred Compensation Plan

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

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE D – OTHER NOTES, CONTINUED

1. Employee Pension and Other Benefit Plans, Continued

Deferred Compensation Plan, Continued

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 \$270,660 and the City contributed \$0 under the plan for the year ended September 30, 2016.

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 \$600,000 per occurrence. The City is also self-insured for health insurance claims up to \$225,000 of individual claims. The City currently has 265 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, to be \$668,627. This amount represents subsequent payments on prior year claim activity. 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 \$53,329. This has been included as a current year expenditure. For all of the self-insured funds, an unreserved fund balance of \$2,427,771 was in the Internal Service Fund at September 30, 2016.

The following is a summary of the changes in the estimated health claims and worker’s compensation for the year ended September 30, 2016.

Balance, October 1, 2015	\$ 468,096
Current claims and change in estimates	5,800,518
Claim payments	<u>(5,546,658)</u>
Balance, September 30, 2016	<u>\$ 721,956</u>

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, 2016, the City’s investments consisted of certificates of deposit at the following institutions:

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE D – OTHER NOTES, CONTINUED

2. Risk Management, Continued

Deposits and Investments, Continued

Concentration of Credit Risk, Continued

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank/Fremont	\$ 39,575,000 *
First National Bank - Fremont	6,724,174 *
Nebraska Land National Bank	2,646,000
First State Bank	5,100,000 *
Nebraska Public Agency Investment Trust	1,000,000
Totals	<u>\$ 55,045,174</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, 2016.

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, 2016 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 2016	\$ 4,375,000
November 2016	2,000,000
December 2016	12,024,174
January 2017	1,750,000
February 2017	1,000,000
March 2017	9,725,000
April 2017	3,500,000
May 2017	50,000
June 2017	3,450,000
July 2017	1,500,000
August 2017	2,675,000
September 2017	6,946,000
Due in more than 12 months	6,050,000
	<u>\$ 55,045,174</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE D – OTHER NOTES, CONTINUED

2. Risk Management, Continued

Deposits and Investments, Continued

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

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 9/30/2016</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
Governmental:				
Westside BNSF Viaduct	\$ 961,414	\$ 926,561	\$ 34,853	September 30, 2020
Johnson Road Widening, Military-16th	20,890	19,730	1,160	November 30, 2017
Johnson Road Trail	96,770	13,286	83,484	November 30, 2018
Pierce Street Reconstruction, Linden-Military	23,590	2,700	20,890	September 30, 2018
Park Ave, 2nd-Military	72,660	68,011	4,649	November 30, 2017
Luther Road Widening, Military-23rd	95,900	76,161	19,739	November 30, 2020
1st Street, Bell-Luther	78,500	72,630	5,870	November 30, 2020
32nd St Paving Improvements	82,330	76,910	5,420	November 30, 2020
Rawhide Creek Trail	228,241	-	228,241	November 30, 2019
1st Street, Luther-Johnson	155,691	153,439	2,252	November 30, 2016
Fire Aerial Apparatus	930,556	898,984	31,572	October 31, 2016
North Hancock Reconstruction, 16th-19th	397,205	152,778	244,426	November 30, 2016
Ridge-Hormel Park Trail	710,529	207,280	503,249	June 30, 2017
Enterprise Funds:				
Unit 8 Environmental Upgrade	50,548,021	50,037,943	510,077	June 30, 2017
69kV Joint Transmission Line	19,507,091	945,010	18,562,081	November 30, 2018
Substation B Upgrade	217,709	13,964	203,745	November 30, 2018
Articulating Aerial Device	240,810	-	240,810	December 31, 2016
Plant II HMI System Replacement	85,387	61,814	23,573	December 31, 2016
Water & Sewer Extension for Proposed Processing Plc	195,825	20,526	175,299	November 30, 2018
Sanitary Sewer Repair 2016	137,964	-	137,964	January 31, 2017
WWTP Upgrade	3,850,000	-	3,850,000	November 30, 2019
Compost Turner	402,750	-	402,750	December 31, 2016
	<u>\$ 79,039,833</u>	<u>\$ 53,747,727</u>	<u>\$ 25,292,104</u>	

Claims and Litigation

The City is involved in various litigation in the normal course of its operations and services. In the opinion of City management, although the outcome of any legal proceedings cannot be predicted with certainty, the ultimate liability of the City in connection with its legal proceedings will not have a material effect on the City's financial position, but could be material to the results of operations in future accounting periods.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE D – OTHER NOTES, CONTINUED

3. Commitments and Contingencies, Continued

Government Grants

The City participates in a number of federally assisted grant programs, which are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies, is not determinable at this time; however, City officials do not believe that such amounts, if any, would be significant.

Regulatory Compliance

The City of Fremont is required by state and federal laws and regulations to make annual contributions to finance fly ash closure and postclosure care. The City is in compliance with these requirements, and at September 30, 2016 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.

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.

Electric Department

In the prior 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 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, 2016, the City had purchased 202,344 of the tons required under this contract. The remaining balance was purchased by December 31, 2016.

In the current year, the Electric Department entered into an agreement with Arch Coal Sales Company, Inc., effective November 6, 2015 through November 30, 2016. Under the terms of the agreement, the City must purchase 14,500 tons of coal at an agreed-upon base price per ton.

On November 10, 2016, the Electric Department entered into an agreement with Cloud Peak Energy Resources, LLC., effective January 1, 2017 through December 31, 2017. Under the terms of the agreement, the City must purchase 175,000 tons of coal 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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE D – OTHER NOTES, CONTINUED

3. Commitments and Contingencies, Continued

Gas Department

The Gas Department entered into an agreement to purchase natural gas from BP Canada Energy Marketing Corp. on September 18, 2012. The agreement is effective November 1, 2012 through October 31, 2017. The agreement stipulates the volume of maximum daily quantity purchases which varies depending on the month of the purchase. The price is based on the monthly index published inside the Federal Energy Regulatory Commission (FERC) Gas Market Report.

In the current year, the Gas Department extended the agreement with BP Canada Energy Marketing Corp for three years through October 31, 2020.

4. Major Customers

The City has one customer that was billed \$3,746,263 for electricity, \$1,649,127 for gas, and \$1,743,164 for sewer for the year ended September 30, 2016. This represents 10.5 percent of total electric billing, 14.8 percent of total gas billing, and 35.0 percent of total sewer billing, respectively, for the year ended September 30, 2016. (The billings represent 13 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, 2016:

Parties to Agreement	Term	Description
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	12/1/14 - 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)
Cities: Columbus, Norfolk, Battle Creek, Hooper, Oakland, Inglewood, Stanton, Craig, Hoskins, Meadow Grove, Pilger, Uehling. Counties: 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

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE D – OTHER NOTES, CONTINUED

5. Interlocal Agreements, Continued

Parties to Agreement	Term	Description
Village of Inglewood	3/15/2015 - 3/15/2018	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
Counties: Dodge, Burt, Saunders, Colfax, Cuming, and Washington Cities: Dodge, Snyder, Scribner, Hooper, Uehling, Winslow, Nickerson, North Bend and Inglewood	12/01/2012 - 12/31/2016	Enhanced 911 services
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 - 10/15/2015	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 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

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2016

NOTE D – OTHER NOTES, CONTINUED

5. Interlocal Agreements, Continued

Parties to Agreement	Term	Description
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, 2016, the City had 14,176 SO₂ Emissions Allowances related to the Lon D. Wright Power Plant. The EPA has granted these allowances, which can be used to offset plant emissions. The allowances can be bought and sold. Changes to federal regulation on SO₂ emissions that would eliminate the exiting credits resulted in a less than one dollar market value for the credits available at year end.

The Cross-State Air Pollution Rule (CSAPR) is intended to reduce overall nitrous oxides (NO_x) and sulfur dioxide (SO₂) emissions on a regional basis. Under CSAPR, facilities must provide allowances for each ton of NO_x and SO₂. The City had 1,761 Cross State Rule Group 2 SO₂ emissions worth \$4.00 per allowance and 647 Cross State Rule NO_x annual allowances with a value of \$10.00 per allowance at September 30, 2016.

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, 2015 – September 30, 2017.

8. Related Party Transactions

The City entered into contracts during the year ended September 30, 2016 with a company in which an elected official is an owner. All contracts were awarded by the City Council after a public bidding process which resulted in the company being the lowest responsible, or only bid. Payments to the company were \$187,425 during the current year.

9. Subsequent Events

Management has evaluated subsequent events through February 14, 2017, 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, 2016

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 4,165,068	\$ 4,330,008	\$ 164,940
Payments in lieu of taxes	9,000	8,946	(54)
Franchise	240,000	234,095	(5,905)
Business	1,745,000	1,724,090	(20,910)
Intergovernmental	779,318	919,008	139,690
Charges for services	2,477,300	2,659,692	182,392
Donations	604,250	50,295	(553,955)
Interest income	20,000	17,882	(2,118)
Other	8,493	21,369	12,876
	<u>10,048,429</u>	<u>9,965,385</u>	<u>(83,044)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	5,091,086	4,411,329	(679,757)
Public safety	9,347,413	8,428,037	(919,376)
Public works	478,365	375,933	(102,432)
Environment and leisure	4,058,648	3,344,914	(713,734)
Employee insurance	281,648	278,522	(3,126)
	<u>19,257,160</u>	<u>16,838,735</u>	<u>(2,418,425)</u>
Resources over (under) charges to appropriations	<u>(9,208,731)</u>	<u>(6,873,350)</u>	<u>2,335,381</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	8,580,931	7,850,659	(730,272)
Transfers out	(115,190)	-	115,190
Net transfers	<u>8,465,741</u>	<u>7,850,659</u>	<u>(615,082)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (742,990)</u>	<u>\$ 977,309</u>	<u>\$ 1,720,299</u>

CITY OF FREMONT, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
STREET FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 490,000	\$ 522,841	\$ 32,841
Intergovernmental	3,077,502	3,522,599	445,097
Charges for services	35,000	40,244	5,244
Interest income	30,000	26,103	(3,897)
Other income	-	2,754	2,754
	<hr/>	<hr/>	<hr/>
Total resources	3,632,502	4,114,541	482,039
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	6,646,844	3,045,686	(3,601,158)
	<hr/>	<hr/>	<hr/>
Resources over (under) charges to appropriations	(3,014,342)	1,068,855	4,083,197
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES			
Transfers in	1,875,738	399,929	(1,475,809)
Transfers out	-	(1,966)	(1,966)
	<hr/>	<hr/>	<hr/>
Net transfers	1,875,738	397,963	(1,477,775)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (1,138,604)</u>	<u>\$ 1,466,818</u>	<u>\$ 2,605,422</u>

CITY OF FREMONT, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budget (Original and Final)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 6,534,000	\$ 6,071,305	\$ (462,695)
Intergovernmental	-	-	-
Charges for services	-	25,032	25,032
Interest income	38,450	42,576	4,126
Other income	-	-	-
Loan repayment proceeds	-	100,000	100,000
	<u>6,572,450</u>	<u>6,238,913</u>	<u>(333,537)</u>
Total resources	6,572,450	6,238,913	(333,537)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	<u>2,000,000</u>	<u>670,042</u>	<u>(1,329,958)</u>
Resources over (under) charges to appropriations	4,572,450	5,568,871	996,421
OTHER FINANCING USES			
Transfers out	<u>(7,761,824)</u>	<u>(5,250,031)</u>	<u>2,511,793</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES	<u>\$ (3,189,374)</u>	<u>\$ 318,840</u>	<u>\$ 3,508,214</u>

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULES -
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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, 2016, which discloses the nature and amount of the adjustments necessary to convert the modified accrual data to the budgetary basis, is presented below:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Sales Tax Fund</u>
Sources/inflows of resources:			
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 9,965,385	\$ 4,114,541	\$ 6,238,913
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>24,092</u>	<u>5,458</u>	<u>(69,410)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 9,989,477</u>	<u>\$ 4,119,999</u>	<u>\$ 6,169,503</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 16,838,735	\$ 3,045,686	\$ 670,042
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>192,200</u>	<u>138,075</u>	<u>(600,000)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 17,030,935</u>	<u>\$ 3,183,761</u>	<u>\$ 70,042</u>
Other financing sources/(uses):			
Actual amounts (budgetary basis) "total transfers" from the budgetary comparison schedules	\$ 7,850,659	\$ 397,963	\$ (5,250,031)
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>248,693</u>	<u>(211,298)</u>	<u>327,707</u>
Total transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 8,099,352</u>	<u>\$ 186,665</u>	<u>\$ (4,922,324)</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF FREMONT, NEBRASKA

**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Debt Service	Special Revenue Funds			
		Paving & Sidewalk Districts	Downtown Improvement District	Public Use Property Special Projects	Keno Fund
ASSETS					
Cash and cash equivalents	\$ 107,759	\$ 772,103	\$ 18,083	\$ 11,205	\$ 126,024
Investments	-	1,000,000	-	175,000	450,000
County treasurer cash	8,640	-	-	-	-
Receivables:					
Special assessments	-	189,536	-	-	-
Accounts, net of allowance for doubtful accounts	-	-	7,660	-	22,934
Notes, net of allowance for doubtful accounts	-	-	-	-	-
Interest	-	22,780	-	2,135	437
Property tax	12,650	-	-	-	-
Business tax	-	-	-	-	-
TIF bond receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 129,049	\$ 1,984,419	\$ 25,743	\$ 188,340	\$ 599,395
LIABILITIES					
Accounts payable	\$ -	\$ 56,004	\$ 5	\$ -	\$ 23,783
Due to other funds	-	-	-	-	-
Accrued expenses	13,303	200	-	-	-
TIF payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	13,303	56,204	5	-	23,783
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	5,883	-	-	-	-
Unavailable revenue - other local taxes	-	201,719	-	-	-
Unavailable revenue - fees and other	-	10,597	7,660	-	-
Unavailable revenue - notes	-	-	-	-	-
Total deferred inflows of resources	5,883	212,316	7,660	-	-
FUND BALANCES (DEFICIT)					
Nonspendable:					
Permanent Fund principal	-	-	-	125,000	-
Restricted for:					
Debt service	109,863	-	-	-	-
Public safety	-	-	-	-	-
Economic development	-	-	-	-	-
Capital/special projects	-	1,715,899	-	63,340	-
Federal programs	-	-	-	-	-
Community betterment	-	-	-	-	575,612
Assigned for:					
Airport	-	-	-	-	-
Downtown improvements/parking	-	-	18,078	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	109,863	1,715,899	18,078	188,340	575,612
Total liabilities, deferred inflows of resources and fund balances	\$ 129,049	\$ 1,984,419	\$ 25,743	\$ 188,340	\$ 599,395

CITY OF FREMONT, NEBRASKA

**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS -
CONTINUED
SEPTEMBER 30, 2016**

	Special Revenue Funds				
	CDBG Fund	Weatherization EDA (HUD)	Economic Enhancement	Airport Fund	Enhanced & Wireless 911
ASSETS					
Cash and cash equivalents	\$ 55,785	\$ 10,924	\$ 286,154	\$ 235,849	\$ 219,343
Investments	-	-	-	-	100,000
County treasurer cash	-	-	-	-	-
Receivables:					
Special assessments	-	-	-	136,297	-
Accounts, net of allowance for doubtful accounts	-	-	-	-	-
Notes, net of allowance for doubtful accounts	53,333	870,138	279,667	-	-
Interest	-	-	-	-	1,170
Property tax	-	-	-	-	-
Business tax	-	-	-	-	31,408
TIF bond receivable	-	-	-	-	-
Due from other governments	22,853	-	-	-	68,360
Due from other funds	-	-	-	-	124,557
Total assets	\$ 131,971	\$ 881,062	\$ 565,821	\$ 372,146	\$ 544,838
LIABILITIES					
Accounts payable	\$ 69,894	\$ 240	\$ -	\$ 5,041	\$ 10,753
Due to other funds	20,000	-	-	136,945	200,000
Accrued expenses	-	-	-	-	30,306
TIF payable	-	-	-	-	-
Unearned revenue	-	-	-	8,400	-
Total liabilities	89,894	240	-	150,386	241,059
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	-	-	-
Unavailable revenue - other local taxes	-	-	-	-	-
Unavailable revenue - fees and other	-	-	-	-	68,360
Unavailable revenue - notes	-	-	-	136,297	-
Total deferred inflows of resources	-	-	-	136,297	68,360
FUND BALANCES (DEFICIT)					
Nonspendable:					
Permanent fund principal	-	-	-	-	-
Restricted for:					
Debt service	-	-	-	-	-
Public safety	-	-	-	-	235,419
Economic development	-	-	565,821	-	-
Capital/special projects	-	-	-	-	-
Federal programs	42,077	880,822	-	-	-
Community betterment	-	-	-	-	-
Assigned for:					
Airport	-	-	-	85,463	-
Downtown improvements/parking	-	-	-	-	-
Unreserved					
Total fund balances (deficit)	42,077	880,822	565,821	85,463	235,419
Total liabilities, deferred inflows of resources and fund balances	\$ 131,971	\$ 881,062	\$ 565,821	\$ 372,146	\$ 544,838

CITY OF FREMONT, NEBRASKA

**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS -
CONTINUED
SEPTEMBER 30, 2016**

	Special Revenue Funds		Capital Projects	
	Drug Task Force	Community Development Agency	Special Projects	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 36,659	\$ 246,280	\$ 563,833	\$ 2,690,001
Investments	-	-	-	1,725,000
County treasurer cash	-	237	-	8,877
Receivables:				
Special assessments	-	-	-	325,833
Accounts, net of allowance for doubtful accounts	-	-	-	30,594
Notes, net of allowance for doubtful accounts	-	-	-	1,203,138
Interest	-	-	-	26,522
Property tax	-	-	-	12,650
Business tax	-	-	-	31,408
TIF bond receivable	-	495,716	-	495,716
Due from other governments	-	-	-	91,213
Due from other funds	-	-	228,105	352,662
Total assets	\$ 36,659	\$ 742,233	\$ 791,938	\$ 6,993,614
LIABILITIES				
Accounts payable	\$ -	\$ 99,311	\$ 228,105	\$ 493,136
Due to other funds	-	417,297	-	774,242
Accrued expenses	-	-	-	43,809
TIF payable	-	276,730	-	276,730
Unearned revenue	-	-	-	8,400
Total liabilities	-	793,338	228,105	1,596,317
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	5,883
Unavailable revenue - other local taxes	-	-	-	201,719
Unavailable revenue - fees and other	-	-	-	86,617
Unavailable revenue - notes	-	218,986	-	355,283
Total deferred inflows of resources	-	218,986	-	649,502
FUND BALANCES (DEFICIT)				
Nonspendable:				
Permanent fund principal	-	-	-	125,000
Restricted for:				
Debt service	-	-	-	109,863
Public safety	36,659	-	-	272,078
Economic development	-	-	-	565,821
Capital/special projects	-	-	563,833	2,343,072
Federal programs	-	-	-	922,899
Community betterment	-	-	-	575,612
Assigned for:				
Airport	-	-	-	85,463
Downtown improvements/parking	-	-	-	18,078
Unreserved	-	(270,091)	-	(270,091)
Total fund balances (deficit)	36,659	(270,091)	563,833	4,747,795
Total liabilities, deferred inflows of resources and fund balances	\$ 36,659	\$ 742,233	\$ 791,938	\$ 6,993,614

CITY OF FREMONT, NEBRASKA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Debt Service	Special Revenue Funds			
		Paving & Sidewalk Districts	Downtown Improvement District	Public Use Property Special Projects	Keno Fund
REVENUES					
Property tax	\$ 327,259	\$ -	\$ -	\$ -	\$ -
Business taxes	-	-	-	-	-
TIF payments	-	-	-	-	-
Payments in lieu of taxes	679	-	-	-	-
Intergovernmental	-	-	-	-	-
Keno	-	-	-	-	593,400
Charges for services	-	69,497	11,093	-	-
Interest income	313	13,630	37	1,751	2,700
Other income	-	-	-	-	1,495
Total revenues	<u>328,251</u>	<u>83,127</u>	<u>11,130</u>	<u>1,751</u>	<u>597,595</u>
EXPENDITURES					
General government	450	-	1,847	-	-
Public safety	-	-	-	-	-
Public works	-	78,415	-	-	-
Environment and leisure	-	-	-	-	126,835
Principal payments on debt	245,000	-	-	-	-
Interest on long-term debt	83,728	-	-	-	-
Total expenditures	<u>329,178</u>	<u>78,415</u>	<u>1,847</u>	<u>-</u>	<u>126,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(927)</u>	<u>4,712</u>	<u>9,283</u>	<u>1,751</u>	<u>470,760</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	(220)	(500,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(220)</u>	<u>(500,000)</u>
Net change in fund balances	<u>(927)</u>	<u>4,712</u>	<u>9,283</u>	<u>1,531</u>	<u>(29,240)</u>
Fund balances - September 30, 2015 as originally reported	110,790	1,711,187	8,795	186,809	604,852
Restatement	-	-	-	-	-
Fund balances - September 30, 2015, as restated	<u>110,790</u>	<u>1,711,187</u>	<u>8,795</u>	<u>186,809</u>	<u>604,852</u>
Fund balances - September 30, 2016	<u>\$ 109,863</u>	<u>\$ 1,715,899</u>	<u>\$ 18,078</u>	<u>\$ 188,340</u>	<u>\$ 575,612</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, 2016**

	Special Revenue Funds				
	CDBG Fund	Weatherization EDA (HUD)	Economic Enhancement	Airport Fund	Enhanced & Wireless 911
REVENUES					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes	-	-	-	-	139,820
TIF payments	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-
Intergovernmental	22,406	256,181	-	-	845,581
Keno	-	-	-	-	-
Charges for services	-	-	-	147,900	-
Interest income	-	385	486	544	1,366
Other income	-	-	-	-	-
Total revenues	<u>22,406</u>	<u>256,566</u>	<u>486</u>	<u>148,444</u>	<u>986,767</u>
EXPENDITURES					
General government	118,369	163,140	90,333	-	-
Public safety	-	-	-	-	921,622
Public works	-	-	-	-	-
Environment and leisure	-	-	-	84,912	-
Principal payments on debt	-	-	-	21,000	-
Interest on long-term debt	-	-	-	-	-
Total expenditures	<u>118,369</u>	<u>163,140</u>	<u>90,333</u>	<u>105,912</u>	<u>921,622</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(95,963)</u>	<u>93,426</u>	<u>(89,847)</u>	<u>42,532</u>	<u>65,145</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	11,358	(11,358)	100,000	-	-
Total other financing sources (uses)	<u>11,358</u>	<u>(11,358)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(84,605)</u>	<u>82,068</u>	<u>10,153</u>	<u>42,532</u>	<u>65,145</u>
Fund balances - September 30, 2015 as originally reported	126,682	798,754	555,668	42,931	145,398
Restatement	-	-	-	-	24,876
Fund balances - September 30, 2015, as restated	<u>126,682</u>	<u>798,754</u>	<u>555,668</u>	<u>42,931</u>	<u>170,274</u>
Fund balances - September 30, 2016	<u>\$ 42,077</u>	<u>\$ 880,822</u>	<u>\$ 565,821</u>	<u>\$ 85,463</u>	<u>\$ 235,419</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, 2016**

	Special Revenue Funds		Capital Projects	Total Non-major Governmental Funds
	Drug Task Force	Community Development Agency	Special Projects	
REVENUES				
Property tax	\$ -	\$ -	\$ -	\$ 327,259
Business taxes	-	-	-	139,820
TIF payments	-	247,656	-	247,656
Payment in lieu of taxes	-	-	-	679
Intergovernmental	22,958	-	-	1,147,126
Keno	-	-	-	593,400
Charges for services	-	-	-	228,490
Interest income	-	69	1,302	22,583
Other income	300	34,892	-	36,687
Total revenues	<u>23,258</u>	<u>282,617</u>	<u>1,302</u>	<u>2,743,700</u>
EXPENDITURES				
General government	-	247,419	-	621,558
Public safety	27,017	-	-	948,639
Public works	-	-	241,663	320,078
Environment and leisure	-	-	-	211,747
Principal payments on debt	-	-	-	266,000
Interest on long-term debt	-	-	-	83,728
Total expenditures	<u>27,017</u>	<u>247,419</u>	<u>241,663</u>	<u>2,451,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,759)</u>	<u>35,198</u>	<u>(240,361)</u>	<u>291,950</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(12,267)</u>	<u>-</u>	<u>244,946</u>	<u>(167,541)</u>
Total other financing sources (uses)	<u>(12,267)</u>	<u>-</u>	<u>244,946</u>	<u>(167,541)</u>
Net change in fund balances	<u>(16,026)</u>	<u>35,198</u>	<u>4,585</u>	<u>124,409</u>
Fund balances - September 30, 2015 as originally reported	52,685	(305,289)	559,248	4,598,510
Restatement	-	-	-	24,876
Fund balances - September 30, 2015, as restated	<u>52,685</u>	<u>(305,289)</u>	<u>559,248</u>	<u>4,623,386</u>
Fund balances - September 30, 2016	<u>\$ 36,659</u>	<u>\$ (270,091)</u>	<u>\$ 563,833</u>	<u>\$ 4,747,795</u>