



CITY OF

FREMONT

NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
September 30, 2019**

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fremont, Nebraska (the City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fremont, Nebraska as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The non-major governmental funds combining statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The non-major governmental funds combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the non-major governmental funds combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated March 6, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

BKD, LLP

Omaha, Nebraska
March 6, 2020

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019.

Financial Highlights

- The assets of the City of Fremont exceeded its liabilities at the close of the most recent fiscal year by \$285,998,189 (*net position*). Of this amount, \$84,177,508 (*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 \$105,560,919. Approximately 23.2 percent of this total amount, \$24,537,809 is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$14,880,887, or 78.1 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 13 and 14 of this report.

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 15 - 18 of this report.

Proprietary Funds. The City of Fremont maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Fremont uses enterprise funds to account for its Electric, Water, Sewer, 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 19 - 22 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 52 of this report.

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 53 - 57 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 58 - 62 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 \$286,998,189 at the close of the most recent fiscal year.

Statement of Net Position

	September 30, 2019			September 30, 2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 54,582,337	\$ 89,644,686	\$ 144,227,023	\$ 60,867,062	\$ 43,836,373	\$104,703,435
Capital Assets	57,783,344	207,038,095	264,821,439	58,118,923	202,738,011	260,856,934
Deferred Outflow of Resources	3,687	125,093	128,780	4,226	143,594	147,820
Total Assets and Deferred Outflow s	112,369,368	296,807,874	409,177,242	118,990,211	246,717,978	365,708,189
Long-term Liabilities	3,245,961	96,014,446	99,260,407	3,601,223	59,441,417	63,042,640
Other Liabilities	3,562,488	20,355,574	23,918,062	3,140,997	17,462,832	20,603,829
Deferred Inflow of Resources	-	584	584	-	751	751
Total Liabilities and Deferred Inflow s	6,808,449	116,370,604	123,179,053	6,742,220	76,905,000	83,647,220
Net Position:						
Net Investment in Capital Assets	54,014,482	108,717,155	162,731,637	54,260,234	132,830,554	187,090,788
Restricted						
Expendable	26,883,628	12,080,416	38,964,044	37,270,491	9,181,397	46,451,888
Nonexpendable	125,000	-	125,000	125,000	-	125,000
Unrestricted	24,537,809	59,639,699	84,177,508	20,592,266	27,801,027	48,393,293
Total Net Position	<u>\$ 105,560,919</u>	<u>\$ 180,437,270</u>	<u>\$ 285,998,189</u>	<u>\$ 112,247,991</u>	<u>\$ 169,812,978</u>	<u>\$ 282,060,969</u>

The largest portion of the City of Fremont's net position (56.9 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 (13.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$84,177,508) may be used to meet the government's ongoing obligations to citizens and creditors.

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

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Governmental Activities. Net position decreased \$6,687,072 in the governmental activities during the year ended September 30, 2019, reducing total growth in the City's net position by 170 percent for the year ended September 30, 2019. Key elements of this change in net position are as follows:

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2019</u>		<u>Year Ended September 30, 2018</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General government	\$ 1,473,682	\$ 6,697,509	\$ 1,755,789	\$ 4,816,845
Public safety	1,664,030	9,141,801	1,714,721	9,256,898
Public works	1,829,748	17,808,023	3,306,655	3,207,770
Environment and leisure	1,338,402	3,420,616	606,024	3,442,184
Non-departmental	-	305,399	-	305,538
Interest	-	70,767	-	92,846
Total	<u>\$ 6,305,862</u>	<u>\$ 37,444,115</u>	<u>\$ 7,383,189</u>	<u>\$ 21,122,081</u>

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2019</u>		<u>Year Ended September 30, 2018</u>	
Charges for services	\$ 3,992,809	12.03 %	\$ 3,927,048	12.38 %
Operating grants and contributions	1,554,034	4.68	1,367,871	4.31
Capital grants and contributions	759,019	2.29	2,088,270	6.59
Property taxes	6,864,240	20.68	6,143,230	19.37
Motor vehicle taxes	592,991	1.79	560,088	1.77
Sales tax	7,986,402	24.06	7,236,366	22.82
Payments in lieu of taxes	13,927	0.04	12,921	0.04
Franchise taxes	296,155	0.89	219,625	0.69
Other taxes	1,926,030	5.80	1,765,335	5.57
State allocation	4,087,182	12.31	3,847,928	12.13
Keno	758,810	2.29	685,501	2.16
Special assessments	48,196	0.15	248,251	0.78
Miscellaneous	56,126	0.17	33,783	0.11
Interest	865,729	2.61	563,787	1.78
Gain on sale of assets	286,427	0.86	80,537	0.25
Transfer from other funds	3,111,857	9.35	2,930,844	9.25
Total	<u>\$ 33,199,934</u>	<u>100.00 %</u>	<u>\$ 31,711,385</u>	<u>100.00 %</u>

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Business-type Activities. Business-type activities increased the City of Fremont's net position by \$10,624,292, accounting for total growth of 270 percent of the total growth in the government's net position for the year ended September 30, 2019. Key elements of this increase are as follows:

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2019</u>		<u>Year Ended September 30, 2018</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 45,568,896	\$ 38,260,959	\$ 43,298,219	\$ 34,980,045
Water	4,960,493	3,399,779	3,817,532	3,115,748
Sewer	8,701,918	6,041,006	6,315,110	4,610,751
Gas	14,964,928	13,651,329	14,195,339	13,026,547
Total	<u>\$ 74,196,235</u>	<u>\$ 61,353,073</u>	<u>\$ 67,626,200</u>	<u>\$ 55,733,091</u>

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2019</u>		<u>Year Ended September 30, 2018</u>	
Charges for services	\$ 70,862,710	98.45 %	\$ 66,828,234	102.70 %
Operating grants and contributi	29,080	0.04	311,226	0.48
Capital grants and contribution:	3,304,445	4.59	486,740	0.75
Interest	918,915	1.28	459,625	0.71
Loss on sale of assets	(25,928)	(0.04)	(90,217)	(0.14)
Transfer to other funds	(3,111,857)	(4.32)	(2,930,844)	(4.50)
Total	<u>\$ 71,977,365</u>	<u>100.00 %</u>	<u>\$ 65,064,764</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 \$45,279,962. Approximately 32.3 percent of this total amount (\$14,617,501) 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 (\$130,878), 2) restricted for street improvements (\$9,746,156), 3) restricted for public safety (\$2,264,714), 4) restricted for infrastructure (\$1,273,260), 5) restricted for property tax relief (\$958,930), 6) restricted for economic development (\$7,995,470), 7) restricted for a variety of capital/special projects (\$2,453,151), 8) restricted for Federal programs (\$904,493), 9) restricted for community betterment (\$624,497), 10) committed for code enforcement/defense (\$1,393,950), 11) committed for capital improvement projects (\$2,684,373), 12) assigned for downtown improvement projects (\$57,467), 13) endowed as non-spendable principal (\$125,000), or 14) non-spendable prepaid expense (\$50,122).

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2019

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 \$14,880,887. 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 78.1 percent of total General Fund expenditures.

The fund balance of the City of Fremont's General Fund increased by \$2,452,228, during the current fiscal year, which was approximately \$5,540,670 more than was budgeted. The increase was predominantly due to four main capital projects, using bond proceeds of \$6,000,000 and reserves of \$3,660,000 not completed during the fiscal year. Other factors include higher than expected interest income by \$292,000, and expenditure savings that included \$520,000 in personal services, offset by deficits of -\$184,000 in contractual services, -\$49,700 in commodities. These deficits are related to a significant flooding event that occurred along the southern portion of the City March 15-18, 2019. Emergency protective measures were performed, but several city facilities were damaged, as well as some equipment. The City estimates \$1,200,000 of costs were incurred prior to September 30 and expects that insurance and Federal Emergency Management Agency (FEMA) funds will reimburse 75% of approved costs.

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

Unrestricted net position of the *proprietary funds* at the end of the year were as follows: Electric Fund - \$39,382,205, Water Fund - \$3,523,547, Sewer Fund - \$10,407,156, and Gas Fund - \$6,326,791. The change in net position for the proprietary funds was as follows: Electric Fund - \$5,256,903, Water Fund - \$1,487,724, Sewer Fund - \$2,851,651, and Gas Fund - \$1,028,014. The increase in the Electric Fund net position was attributable to a 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. The March 2019 flooding event previously reported caused \$320,000 damage to utility infrastructure and the City expects that insurance and FEMA funds will reimburse 75% of approved costs. 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, 2019, amounts to \$264,821,439 (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:

- Air Quality Control System - \$53,508,198
- Electric distribution system improvements - \$7,284,079
- Sewer system improvements - \$4,664,026
- Gas system improvements - \$3,111,281
- Water system improvements - \$1,630,434
- Solar Farm #2 - \$1,129,118
- Pedestrian Signal Replacements - \$614,574

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

- 2019 SWX525 Shuttle wagon - \$536,021
- Electric transmission system improvements - \$471,843
- LDW Pole Storage Building - \$435,943
- CAT 972M Wheel Loader - \$380,005
- 2019 Braun Super Chief Int'l Ambulance - \$311,044
- Somers Ave Bridge Box Culvert - \$283,172
- 2019 Freightliner Bucket Truck - \$247,498
- Fountain Springs 2nd Addition - \$232,750
- Unit 8 Turbine Controls - \$220,445

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

- Wastewater treatment plant upgrades - \$17,766,839
- Honeywell Controls Hardware Refresh – \$357,459
- Gallery 23 new gas main - \$336,173
- Electric SCADA Control System - \$323,913
- City Auditorium Remodel - \$271,084
- Water Production SCADA upgrade - \$265,093
- Johnson Road South Paving - \$263,718
- Airport Aircraft Apron - \$224,279
- Gallery 23 Electric extension - \$210,887
- Wellfield chemical feed building - \$209,292

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

	Year Ended September 30, 2019			Year Ended September 30, 2018		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 7,390,582	\$ 5,052,174	\$ 12,442,756	\$ 7,645,108	\$ 5,154,314	\$ 12,799,422
Construction in Progress	8,788,104	31,162,714	39,950,818	8,995,063	39,062,238	48,057,301
Infrastructure	28,787,752	-	28,787,752	28,324,690	-	28,324,690
Buildings and Improvements	7,978,403	-	7,978,403	8,040,528	-	8,040,528
Machinery and Equipment	4,838,503	5,118,059	9,956,562	5,113,534	4,801,858	9,915,392
Distribution Systems,						
Buildings, and Equipment	-	162,727,247	162,727,247	-	151,023,545	151,023,545
Office Furniture						
and Equipment	-	301,119	301,119	-	375,231	375,231
Vehicles	-	2,676,782	2,676,782	-	2,320,825	2,320,825
Total	\$ 57,783,344	\$ 207,038,095	\$ 264,821,439	\$ 58,118,923	\$ 202,738,011	\$ 260,856,934

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 \$103,015,372.

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

City of Fremont's Outstanding Debt

	<u>Year Ended September 30, 2019</u>			<u>Year Ended September 30, 2018</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>		<u>Activities</u>	<u>Activities</u>	
General Obligation Bonds	\$ 2,185,000	\$ -	\$ 2,185,000	\$ 2,485,000	\$ -	\$ 2,485,000
Revenue Bonds	-	99,900,031	99,900,031	-	60,825,000	60,825,000
Capital leases payable	930,341	-	930,341	1,146,453	-	1,146,453
Total	\$ 3,115,341	\$ 99,900,031	\$ 103,015,372	\$ 3,631,453	\$ 60,825,000	\$ 64,456,453

The City of Fremont's total debt increased by \$38,558,919 (59.8 percent). The City issued \$40,000,000 in bonded indebtedness to finance the City's portion of a transmission line with Omaha Public Power District and certain wastewater treatment plant improvements.

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.

Economic Factors and Next Year's Budgets and Rates

- The City is in the first year of the two-year budget for 2020 and 2021.
- Property tax assessment for the year ending September 30, 2020 is \$6,417,799, which is the same as the assessment for the year ended September 30, 2019. 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 capital improvements at the Police Station. The City Council committed \$1,393,950 at September 30, 2019 for this purpose. In addition, the Council also committed \$2,684,373 for capital improvement projects.
- A large employer and utility customer completed construction of facilities with an estimated value of \$93,300,000 that will provide 800-1,100 jobs and significantly increase utility volumes beginning in late 2019. The Capital Improvement Plan includes wastewater treatment improvements, including anaerobic lagoons. This is a tax increment financing (TIF) project, so no additional property tax receipts are expected for the duration of the TIF period.
- The City has budgeted and expects to make significant expenditures for the following capital projects during the next two fiscal years, (expenditures for smaller capital projects will be dependent upon actual revenues remaining within budgeted levels, while larger projects will be financed with a combination of long-term debt, cash reserves and private funding):
 - Waste water treatment plant improvements - \$17,000,000
 - Additional wells - \$7,000,000 over two years
 - Coal handling modifications - \$2,900,000
 - Joint project with the Nebraska Department of Transportation for a beltway joining US Hwy 275 and US Hwy 77 to the southeast of the City. The City's final contribution of \$6,660,000 of the City's share of \$20,000,000 is included in the 2020 budget.
 - Joint Law Enforcement Center, \$11,200,000 over three years.
 - Multi Use Building for Streets and Park - \$8,000,000.
 - Various citywide paving and resurfacing projects - \$5,521,000

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2019

- Two separate ballot initiatives passed during 2019 requesting the use of GO Bonds of \$2,000,000 each to finance:
 - Library expansion - \$11,830,000
 - City Auditorium renovation - \$3,500,000
- Airport terminal - \$2,000,000
- The City Council approved a three percent increase in rates for the Electric Fund effective November 2019, and another three percent increase effective November 2021. The City Council also approved an increase in Sewer Fund rates by 8.7 percent in effective November 2019 and another 5.1 percent increase effective November 2021 to meet debt service requirements on the wastewater treatment plant improvements.

All of these factors were considered in preparing the City of Fremont's budget for the 2020 and 2021 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, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 23,200,669	\$ 20,959,320	\$ 44,159,989
Investments	24,485,000	11,525,385	36,010,385
County treasurer cash	207,437	-	207,437
Receivables:			
Special assessments	392,707	-	392,707
Accounts, net of allowance for doubtful accounts	517,837	3,178,577	3,696,414
Unbilled revenue	-	3,860,810	3,860,810
Interest	308,297	475,868	784,165
Property tax	207,760	-	207,760
Business tax	223,797	-	223,797
Other tax	318,385	-	318,385
Receivable (payable) to other funds	(46,570)	46,570	-
Due from other governments	1,725,550	455,548	2,181,098
Inventory	-	10,771,652	10,771,652
Prepaid expenses	50,122	196,409	246,531
Total current assets	51,590,991	51,470,139	103,061,130
Noncurrent assets:			
Restricted cash and cash equivalents	-	6,621,362	6,621,362
Restricted investments	-	12,045,615	12,045,615
TIF notes receivable	225,398	-	225,398
Notes receivable, net of allowance	2,765,948	-	2,765,948
Regulatory assets	-	19,507,570	19,507,570
Capital assets:			
Land	7,390,582	5,052,174	12,442,756
Construction in progress	8,788,104	31,162,714	39,950,818
Other capital assets, net of depreciation	41,604,658	170,823,207	212,427,865
Net capital assets	57,783,344	207,038,095	264,821,439
Total noncurrent assets	60,774,690	245,212,642	305,987,332
Total assets	112,365,681	296,682,781	409,048,462
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refundings	3,687	125,093	128,780
Total deferred outflows of resources	3,687	125,093	128,780
LIABILITIES			
Current liabilities:			
Accounts payable	1,247,823	11,714,828	12,962,651
Claims liability	592,570	9,168	601,738
Accrued expenses	489,690	2,043,059	2,532,749
Due to other governments	2,751	-	2,751
Unearned revenues	6,600	332,587	339,187
Customer deposits	25,545	686,828	712,373
Current portion of compensated absences	670,000	714,104	1,384,104
Current portion of long-term debt	527,509	4,855,000	5,382,509
Total current liabilities	3,562,488	20,355,574	23,918,062
Noncurrent liabilities:			
Compensated absences	658,129	814,691	1,472,820
Fly ash liability/closure costs payable	-	154,724	154,724
Noncurrent portion of long-term debt	2,587,832	95,045,031	97,632,863
Total noncurrent liabilities	3,245,961	96,014,446	99,260,407
Total liabilities	6,808,449	116,370,020	123,178,469
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on bond refundings	-	584	584
Total deferred inflows of resources	-	584	584
NET POSITION			
Net investment in capital assets	54,014,482	108,717,155	162,731,637
Restricted for:			
Debt service	130,878	11,235,140	11,366,018
Fly ash disposal	-	845,276	845,276
Street improvements	9,782,142	-	9,782,142
Federal grant programs	902,037	-	902,037
Other purposes			
Expendable	16,068,571	-	16,068,571
Non expendable	125,000	-	125,000
Unrestricted	24,537,809	59,639,699	84,177,508
Total net position	\$ 105,560,919	\$ 180,437,270	\$ 285,998,189

See notes to financial statements

CITY OF FREMONT, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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	\$ 6,697,509	\$ 1,410,170	\$ 63,512	\$ -	\$ (5,223,827)	\$ -	\$ (5,223,827)
Public safety	9,141,801	1,506,836	157,194	-	(7,477,771)	-	(7,477,771)
Public works	17,808,023	593,316	649,448	586,984	(15,978,275)	-	(15,978,275)
Environment and leisure	3,420,616	482,487	683,880	172,035	(2,082,214)	-	(2,082,214)
Non-departmental	305,399	-	-	-	(305,399)	-	(305,399)
Interest on long-term debt	70,767	-	-	-	(70,767)	-	(70,767)
Depreciation and amortization	2,442,891	-	-	-	(2,442,891)	-	(2,442,891)
Total governmental activities	<u>39,887,006</u>	<u>3,992,809</u>	<u>1,554,034</u>	<u>759,019</u>	<u>(33,581,144)</u>	<u>-</u>	<u>(33,581,144)</u>
Business-type activities:							
Electric	38,260,959	45,539,816	29,080	-	-	7,307,937	7,307,937
Water	3,399,779	4,142,756	-	817,737	-	1,560,714	1,560,714
Sewer	6,041,006	6,215,210	-	2,486,708	-	2,660,912	2,660,912
Gas	13,651,329	14,964,928	-	-	-	1,313,599	1,313,599
Total business-type activities	<u>61,353,073</u>	<u>70,862,710</u>	<u>29,080</u>	<u>3,304,445</u>	<u>-</u>	<u>12,843,162</u>	<u>12,843,162</u>
Total primary government	<u>\$ 101,240,079</u>	<u>\$ 74,855,519</u>	<u>\$ 1,583,114</u>	<u>\$ 4,063,464</u>	<u>\$ (33,581,144)</u>	<u>\$ 12,843,162</u>	<u>\$ (20,737,982)</u>
General revenues:							
Taxes:							
Property					6,864,240	-	6,864,240
Motor vehicle					592,991	-	592,991
Sales tax					7,986,402	-	7,986,402
Payments in lieu of taxes					13,927	-	13,927
Franchise					296,155	-	296,155
Other taxes					1,926,030	-	1,926,030
State allocation					4,087,182	-	4,087,182
Keno					758,810	-	758,810
Special assessments					48,196	-	48,196
Miscellaneous					56,126	-	56,126
Interest income					865,729	918,915	1,784,644
Gain (loss) on sale of assets					286,427	(25,928)	260,499
Transfer (to) from other funds					3,111,857	(3,111,857)	-
Total general revenues					<u>26,894,072</u>	<u>(2,218,870)</u>	<u>24,675,202</u>
Change in net position					<u>(6,687,072)</u>	<u>10,624,292</u>	<u>3,937,220</u>
Net position - September 30, 2018					112,247,991	169,812,978	282,060,969
Net position - September 30, 2019					<u>\$ 105,560,919</u>	<u>\$ 180,437,270</u>	<u>\$ 285,998,189</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<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	\$ 6,674,816	\$ 3,779,400	\$ 7,319,024	\$ 2,249,291	\$ 20,022,531
Investments	11,675,000	4,100,000	3,000,000	2,210,000	20,985,000
County treasurer cash	149,019	49,049	-	9,369	207,437
Receivables:					
Special assessments	27,765	26,345	-	338,597	392,707
Accounts, net of allowance for doubtful accounts	470,980	11,406	-	35,453	517,839
Notes receivable, net of allowance for doubtful accounts	-	-	1,678,196	1,087,752	2,765,948
Interest	169,840	48,097	20,365	49,095	287,397
Property tax	182,482	-	-	25,278	207,760
Business tax	198,024	-	-	25,773	223,797
Other tax	-	318,385	-	-	318,385
TIF notes receivable	-	-	-	225,398	225,398
Due from other governments	35,265	-	1,460,239	230,046	1,725,550
Due from other funds	879,051	258,730	126,898	101,829	1,366,508
Prepaid expenses	50,122	-	-	-	50,122
Total assets	\$ 20,512,364	\$ 8,591,412	\$ 13,604,722	\$ 6,587,881	\$ 49,296,379
LIABILITIES					
Accounts payable	\$ 600,223	\$ 370,540	\$ 122	\$ 88,269	\$ 1,059,154
Accrued expenses	404,795	57,919	-	26,976	489,690
Due to other governments	2,751	-	-	-	2,751
Due to other funds	135,173	4,230	504,972	768,705	1,413,080
Customer deposits	25,545	-	-	6,600	32,145
Total liabilities	1,168,487	432,689	505,094	890,550	2,996,820
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	129,803	-	-	21,955	151,758
Unavailable revenue - other local taxes	27,765	26,345	-	210,035	264,145
Unavailable revenue - fees and other	176,977	9,641	-	417,076	603,694
Total deferred inflows	334,545	35,986	-	649,066	1,019,597
FUND BALANCES (DEFICIT)					
Nonspendable:					
Permanent fund principal	-	-	-	125,000	125,000
Prepaid expenses	50,122	-	-	-	50,122
Restricted for:					
Debt service	-	-	-	130,878	130,878
Street improvements	-	8,122,737	1,623,419	-	9,746,156
Public safety	-	-	1,897,536	367,178	2,264,714
Infrastructure	-	-	1,273,260	-	1,273,260
Property tax relief	-	-	958,930	-	958,930
Economic development	-	-	7,346,483	648,987	7,995,470
Capital/special projects	-	-	-	2,453,151	2,453,151
Federal programs	-	-	-	904,493	904,493
Community betterment	-	-	-	624,497	624,497
Committed for:					
Code enforcement/defense	1,393,950	-	-	-	1,393,950
Capital improvement projects	2,684,373	-	-	-	2,684,373
Assigned for:					
Other	-	-	-	57,467	57,467
Unassigned	14,880,887	-	-	(263,386)	14,617,501
Total fund balances	19,009,332	8,122,737	13,099,628	5,048,265	45,279,962
Total liabilities, deferred inflows of resources and fund balances	\$ 20,512,364	\$ 8,591,412	\$ 13,604,722	\$ 6,587,881	\$ 49,296,379

See notes to financial statements

CITY OF FREMONT, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total fund balances - governmental funds \$ 45,279,962

Amounts reported for governmental *activities* in the statement of net position 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 \$88,987,362, and the accumulated depreciation is \$31,204,018. 57,783,344

Deferred amounts on bond refundings are not financial resources and, therefore, are not reported as assets in governmental funds. 3,687

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 position. 5,917,799

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are deferred. 1,019,597

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	\$ (1,328,129)	
Bonds and lease payable	(3,115,341)	<u>(4,443,470)</u>

Total net position - governmental activities \$ 105,560,919

CITY OF FREMONT, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 6,063,717	\$ -	\$ -	\$ 775,573	\$ 6,839,290
Motor vehicle	-	592,991	-	-	592,991
Sales tax	-	-	7,986,402	-	7,986,402
Payments in lieu of taxes	12,637	-	-	786	13,423
Franchise	290,312	-	-	-	290,312
Occupation	1,809,748	-	-	116,282	1,926,030
Intergovernmental	1,743,325	3,740,706	-	1,180,633	6,664,664
Keno	-	-	-	758,810	758,810
Charges for services	3,091,748	37,482	12,237	259,807	3,401,274
Donations	13,330	-	-	4,075	17,405
Interest income	416,516	167,399	300,163	117,228	1,001,306
Other income	366,831	4,107	326,813	1,680	699,431
Total revenues	<u>13,808,164</u>	<u>4,542,685</u>	<u>8,625,615</u>	<u>3,214,874</u>	<u>30,191,338</u>
EXPENDITURES					
General government	5,620,652	-	1,463,682	842,460	7,926,794
Public safety	8,806,242	-	142,966	1,007,979	9,957,187
Public works	462,290	17,620,277	17	68,544	18,151,128
Environment and leisure	3,599,689	-	-	574,050	4,173,739
Employee insurance	305,399	-	-	-	305,399
Principal payments on debt	216,113	-	-	300,000	516,113
Interest on long-term debt	33,935	-	-	42,715	76,650
Total expenditures	<u>19,044,320</u>	<u>17,620,277</u>	<u>1,606,665</u>	<u>2,835,748</u>	<u>41,107,010</u>
Excess (deficiency) of revenues over expenditures	<u>(5,236,156)</u>	<u>(13,077,592)</u>	<u>7,018,950</u>	<u>379,126</u>	<u>(10,915,672)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	7,701,783	12,581,966	-	112,937	20,396,686
Transfers out	(13,399)	-	(16,847,467)	(423,963)	(17,284,829)
Net other sources and uses	<u>7,688,384</u>	<u>12,581,966</u>	<u>(16,847,467)</u>	<u>(311,026)</u>	<u>3,111,857</u>
Net change in fund balances	<u>2,452,228</u>	<u>(495,626)</u>	<u>(9,828,517)</u>	<u>68,100</u>	<u>(7,803,815)</u>
Fund balances - September 30, 2018	<u>16,557,104</u>	<u>8,618,363</u>	<u>22,928,145</u>	<u>4,980,165</u>	<u>53,083,777</u>
Fund balances - September 30, 2019	<u>\$ 19,009,332</u>	<u>\$ 8,122,737</u>	<u>\$ 13,099,628</u>	<u>\$ 5,048,265</u>	<u>\$ 45,279,962</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Total net change in fund balances - governmental funds	\$ (7,803,815)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the period.	(566,062)
The net effect of various miscellaneous transactions involving capital assets (contributions, disposals, etc.).	230,483
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.	1,314,506
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.	(42,246)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred inflows in the governmental funds.	(335,511)
Repayment of long-term debt, net of debt refunding proceeds and payments, is an expenditure in the governmental funds, but the repayment reduces of long-term debt and related items.	<u>516,113</u>
Change in net position of governmental activities	<u>\$ (6,687,072)</u>

CITY OF FREMONT, NEBRASKA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 11,356,468	\$ 2,807,631	\$ 4,081,762	\$ 2,713,459	\$ 20,959,320	\$ 3,178,138
Investments	4,052,831	-	5,972,554	1,500,000	11,525,385	3,500,000
Receivables:						
Accounts, net of allowance for doubtful accounts	2,235,522	353,183	244,308	345,564	3,178,577	-
Unbilled revenue	2,546,946	294,893	509,890	509,081	3,860,810	-
Due from other funds	234,147	6,040	3,253	6,994	250,434	-
Due from other governments	455,548	-	-	-	455,548	-
Interest	218,993	25,186	201,390	30,299	475,868	20,900
Inventory	9,186,752	263,482	129,554	1,191,864	10,771,652	-
Prepaid expenses	106,622	21,691	21,691	46,405	196,409	-
Total current assets	<u>30,393,829</u>	<u>3,772,106</u>	<u>11,164,402</u>	<u>6,343,666</u>	<u>51,674,003</u>	<u>6,699,038</u>
Noncurrent assets:						
Restricted cash and cash equivalents	1,665,677	34,801	4,920,884	-	6,621,362	-
Restricted investments	8,775,669	875,000	2,394,946	-	12,045,615	-
Regulatory assets	18,694,595	-	-	812,975	19,507,570	-
Capital assets:						
Land	2,003,254	1,890,618	1,041,962	116,340	5,052,174	-
Construction in progress	1,647,800	790,126	28,062,026	662,762	31,162,714	-
Depreciable capital assets	220,768,945	42,264,088	57,747,870	19,610,467	340,391,370	-
Less accumulated depreciation	(110,254,738)	(19,142,124)	(28,515,660)	(11,655,641)	(169,568,163)	-
Net capital assets	<u>114,165,261</u>	<u>25,802,708</u>	<u>58,336,198</u>	<u>8,733,928</u>	<u>207,038,095</u>	<u>-</u>
Total noncurrent assets	<u>143,301,202</u>	<u>26,712,509</u>	<u>65,652,028</u>	<u>9,546,903</u>	<u>245,212,642</u>	<u>-</u>
Total assets	<u>173,695,031</u>	<u>30,484,615</u>	<u>76,816,430</u>	<u>15,890,569</u>	<u>296,886,645</u>	<u>6,699,038</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on bond refundings	93,040	19,724	12,329	-	125,093	-
Total deferred outflows of resources	<u>93,040</u>	<u>19,724</u>	<u>12,329</u>	<u>-</u>	<u>125,093</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable	6,347,970	205,117	4,592,209	569,532	11,714,828	188,669
Due to other funds	117,416	40,390	25,861	20,197	203,864	-
Accrued payroll	411,790	29,026	45,331	44,546	530,693	-
Compensated absences - short term	534,972	20,352	80,097	78,683	714,104	-
Sales tax payable	334,375	7,256	-	445	342,076	-
Accrued interest payable	664,849	27,506	477,935	-	1,170,290	-
Unearned revenue	332,587	-	-	-	332,587	-
Customer deposits	685,797	1,031	-	-	686,828	-
Claims liability	9,168	-	-	-	9,168	592,570
Current portion of long-term obligations						
	2,907,048	737,412	1,210,540	-	4,855,000	-
Total current liabilities	<u>12,345,972</u>	<u>1,068,090</u>	<u>6,431,973</u>	<u>713,403</u>	<u>20,559,438</u>	<u>781,239</u>
Noncurrent liabilities:						
Fly ash liability	154,724	-	-	-	154,724	-
Compensated absences - long term	571,465	8,122	57,598	177,506	814,691	-
Noncurrent portion of long-term obligations						
	59,390,750	3,760,329	31,893,952	-	95,045,031	-
Total noncurrent liabilities	<u>60,116,939</u>	<u>3,768,451</u>	<u>31,951,550</u>	<u>177,506</u>	<u>96,014,446</u>	<u>-</u>
Total liabilities	<u>72,462,911</u>	<u>4,836,541</u>	<u>38,383,523</u>	<u>890,909</u>	<u>116,573,884</u>	<u>781,239</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred gain on bond refundings	227	229	128	-	584	-
Total deferred inflows of resources	<u>227</u>	<u>229</u>	<u>128</u>	<u>-</u>	<u>584</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	53,167,059	21,234,221	25,643,006	8,672,869	108,717,155	-
Restricted for:						
Debt service	7,930,393	909,801	2,394,946	-	11,235,140	-
Fly ash disposal	845,276	-	-	-	845,276	-
Unrestricted	39,382,205	3,523,547	10,407,156	6,326,791	59,639,699	5,917,799
Total net position	<u>\$101,324,933</u>	<u>\$ 25,667,569</u>	<u>\$ 38,445,108</u>	<u>\$ 14,999,660</u>	<u>\$ 180,437,270</u>	<u>\$ 5,917,799</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
Operating revenues:						
Charges for services	\$ 45,281,260	\$ 4,097,456	\$ 6,168,940	\$ 14,964,928	\$ 70,512,584	\$ 5,500,162
Contributions from other funds	-	-	-	-	-	1,690,878
Other revenue	258,556	45,300	46,270	-	350,126	-
Total operating revenues	<u>45,539,816</u>	<u>4,142,756</u>	<u>6,215,210</u>	<u>14,964,928</u>	<u>70,862,710</u>	<u>7,191,040</u>
Operating expenses:						
Cost of power/gas	5,034,467	-	-	10,414,120	15,448,587	-
Production	19,761,937	872,705	2,022,429	-	22,657,071	-
Distribution	3,693,047	753,926	546,398	1,471,626	6,464,997	-
Customer accounting and collections	1,911,340	636,017	648,186	1,245,474	4,441,017	-
Administrative and general	4,725	975	809	-	6,509	3,722
Employee insurance	-	-	-	-	-	5,212,126
Workers' compensation	-	-	-	-	-	726,335
Depreciation	5,582,815	1,015,473	1,645,049	520,109	8,763,446	-
Total operating expenses	<u>35,988,331</u>	<u>3,279,096</u>	<u>4,862,871</u>	<u>13,651,329</u>	<u>57,781,627</u>	<u>5,942,183</u>
Operating income	<u>9,551,485</u>	<u>863,660</u>	<u>1,352,339</u>	<u>1,313,599</u>	<u>13,081,083</u>	<u>1,248,857</u>
Nonoperating revenues (expenses):						
Interest income	384,053	29,464	442,492	62,906	918,915	65,649
Interest expense	(2,272,628)	(120,683)	(1,178,135)	-	(3,571,446)	-
Gain (loss) on sale of assets	5,132	-	-	(31,060)	(25,928)	-
Grant revenue	29,080	-	15,535	-	44,615	-
Total nonoperating revenues (expenses)	<u>(1,854,363)</u>	<u>(91,219)</u>	<u>(720,108)</u>	<u>31,846</u>	<u>(2,633,844)</u>	<u>65,649</u>
Income before net contributed capital and interfund transfers	<u>7,697,122</u>	<u>772,441</u>	<u>632,231</u>	<u>1,345,445</u>	<u>10,447,239</u>	<u>1,314,506</u>
Contributed capital (CC)	225,370	883,537	6,403,564	65,800	7,578,271	-
Cost recovered through CC	(225,370)	(65,800)	(3,932,391)	(65,800)	(4,289,361)	-
Transfer from other funds	13,399	129,347	103,668	-	246,414	-
Transfer to other funds	(2,453,618)	(231,801)	(355,421)	(317,431)	(3,358,271)	-
Net CC and transfers	<u>(2,440,219)</u>	<u>715,283</u>	<u>2,219,420</u>	<u>(317,431)</u>	<u>177,053</u>	<u>-</u>
Change in net position	<u>5,256,903</u>	<u>1,487,724</u>	<u>2,851,651</u>	<u>1,028,014</u>	<u>10,624,292</u>	<u>1,314,506</u>
Net position - September 30, 2018	<u>96,068,030</u>	<u>24,179,845</u>	<u>35,593,457</u>	<u>13,971,646</u>	<u>169,812,978</u>	<u>4,603,293</u>
Net position - September 30, 2019	<u>\$ 101,324,933</u>	<u>\$ 25,667,569</u>	<u>\$ 38,445,108</u>	<u>\$ 14,999,660</u>	<u>\$ 180,437,270</u>	<u>\$ 5,917,799</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 46,157,190	\$ 4,083,685	\$ 6,114,753	\$ 14,948,841	\$ 71,304,469	\$ 5,500,260
Receipts from other funds	-	-	-	-	-	1,690,878
Payments to suppliers	(16,199,354)	(1,337,611)	(1,886,488)	(11,972,223)	(31,395,676)	(5,605,676)
Payments to employees	(11,612,714)	(897,435)	(1,336,966)	(1,163,212)	(15,010,327)	-
Net cash provided by operating activities	<u>18,345,122</u>	<u>1,848,639</u>	<u>2,891,299</u>	<u>1,813,406</u>	<u>24,898,466</u>	<u>1,585,358</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers from other funds	13,399	129,347	103,668	-	246,414	-
Transfers to other funds	(2,453,618)	(231,801)	(355,421)	(317,431)	(3,358,271)	-
Interfund loans	1,556,053	(1,557)	(2,726,022)	1,012,719	(158,807)	-
Regulatory asset acquisition	(4,263,728)	-	-	(812,975)	(5,076,703)	-
Net cash used by noncapital financing activities	<u>(5,147,894)</u>	<u>(104,011)</u>	<u>(2,977,775)</u>	<u>(117,687)</u>	<u>(8,347,367)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of property and equipment	(8,799,144)	(1,103,585)	(16,529,992)	(1,045,070)	(27,477,791)	-
Proceeds from sale of property and equip.	22,203	-	-	1,650	23,853	-
Proceeds from capital grant	600	-	15,535	-	16,135	-
Proceeds from bond issuance (net of underwriters' discount)	9,231,220	-	31,796,424	-	41,027,644	-
Principal payments on capital debt	(2,604,830)	(700,292)	(349,878)	-	(3,655,000)	-
Interest paid on capital debt	(2,219,385)	(124,033)	(566,228)	-	(2,909,646)	-
Increase (decrease) in fly ash liability	(19,781)	-	-	-	(19,781)	-
Net cash provided (used) by capital and related financing activities	<u>(4,389,117)</u>	<u>(1,927,910)</u>	<u>14,365,861</u>	<u>(1,043,420)</u>	<u>7,005,414</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Net sales (purchases) of investments	1,467,500	-	(5,517,500)	500,000	(3,550,000)	(1,750,000)
Interest received on investments	332,137	15,870	240,761	50,466	639,234	49,690
Net cash provided (used) by investing activities	<u>1,799,637</u>	<u>15,870</u>	<u>(5,276,739)</u>	<u>550,466</u>	<u>(2,910,766)</u>	<u>(1,700,310)</u>
Increase (decrease) in cash and cash equivalents	10,607,748	(167,412)	9,002,646	1,202,765	20,645,747	(114,952)
Cash and cash equivalents - beginning of the year	<u>2,414,397</u>	<u>3,009,844</u>	<u>-</u>	<u>1,510,694</u>	<u>6,934,935</u>	<u>3,293,090</u>
Cash and cash equivalents - end of the year	<u>\$ 13,022,145</u>	<u>\$ 2,842,432</u>	<u>\$ 9,002,646</u>	<u>\$ 2,713,459</u>	<u>\$ 27,580,682</u>	<u>\$ 3,178,138</u>
Composition of cash and cash equivalents:						
Cash and cash equivalents	\$ 11,356,468	\$ 2,807,631	\$ 4,081,762	\$ 2,713,459	\$ 20,959,320	\$ 3,178,138
Restricted cash and cash equivalents	1,665,677	34,801	4,920,884	-	6,621,362	-
Total cash and cash equivalents	<u>\$ 13,022,145</u>	<u>\$ 2,842,432</u>	<u>\$ 9,002,646</u>	<u>\$ 2,713,459</u>	<u>\$ 27,580,682</u>	<u>\$ 3,178,138</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	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	\$ 9,551,485	\$ 863,660	\$ 1,352,339	\$ 1,313,599	\$ 13,081,083	\$ 1,248,857
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization expense	6,395,624	1,015,473	1,645,049	520,109	9,576,255	-
Change in assets and liabilities:						
Accounts receivable and unbilled revenue	449,118	(59,072)	(100,457)	(16,088)	273,501	98
Inventories	(2,100,523)	16,389	(5,465)	122,146	(1,967,453)	-
Prepaid expenses	46,158	32	32	(127)	46,095	-
Accounts payable	3,825,511	3,414	(8,485)	(134,676)	3,685,764	130,080
Accrued payroll	(38,257)	(8,973)	(7,043)	(3,455)	(57,728)	-
Accrued compensated absences	4,128	10,476	15,329	11,583	41,516	-
Other accrued expenses	43,622	7,240	-	315	51,177	-
Unearned revenue	126,175	-	-	-	126,175	-
Customer deposits	40,977	-	-	-	40,977	-
Claims liability	1,104	-	-	-	1,104	206,323
Net cash provided by operating activities	<u>\$ 18,345,122</u>	<u>\$ 1,848,639</u>	<u>\$ 2,891,299</u>	<u>\$ 1,813,406</u>	<u>\$ 24,898,466</u>	<u>\$ 1,585,358</u>
Supplemental Cash Flows Information						
Payables incurred for acquisition of capital assets	\$ 458,894	\$ 125,041	\$ 4,521,785	\$ 61,059	\$ 5,166,779	\$ -

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, 2019

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.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column and the remaining funds are aggregated and reported as other governmental or proprietary funds.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

2. Basis of Presentation, Continued

The City reports the following fund types:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

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

Proprietary Funds

Enterprise Funds

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

Internal Service Funds

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

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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, which is restricted for use under State Statute.
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.
Business Improvement District #1		Accounts for improvements and maintenance of downtown business area using special assessments on the properties within the district.
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.
Economic Enhancement		Accounts for economic enhancement programs of the City.
Airport Fund		Accounts for the operation and maintenance of the municipal airport.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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:	
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.

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

The City considers revenues as 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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

3. Measurement Focus and Basis of Accounting, continued

Proprietary Funds activities are accounted for on the flow economic resources measurement focus and use the accrual basis of accounting. The City's utility accounting records are maintained in accordance with all applicable pronouncements of the Governmental Accounting Standards Board (GASB) and generally follow the Uniform System of Accounts for Public Utilities and Licenses prescribed by the Federal Energy Regulatory Commission (FERC). The City prepares its proprietary financial statements as a business-type activity in conformity with accounting principles generally accepted in the United States of America (GAAP). 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, deferred inflows and outflows of resources 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 investments. 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.

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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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	\$ 35,265	Interlocal reimbursement/ CDBG grant reimbursement/ Library commission payments
Sales tax	1,460,239	Sales Tax
CDBG fund	3,180	Grant reimbursement
Airport fund	172,035	Project reimbursement from State
Enhanced 911	<u>54,831</u>	Interlocal reimbursement
Governmental Total	<u>\$1,725,550</u>	
Electric	<u>\$ 455,548</u>	Grant reimbursement

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, 2019:

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
Coal	\$ 3,624,655	\$ -	\$ -	\$ -	\$ 3,624,655
Natural Gas	-	-	-	597,909	597,909
Production Supplies	3,095,829	263,482	129,554	110,533	3,599,398
Distribution Supplies	2,090,232	-	-	483,422	2,573,654
Other	376,036	-	-	-	376,036
	<u>\$ 9,186,752</u>	<u>\$ 263,482</u>	<u>\$ 129,554</u>	<u>\$ 1,191,864</u>	<u>\$ 10,771,652</u>

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. In addition, restricted investments are held to cover fly ash closure costs.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Regulatory Assets

Certain income and expense items of the City's enterprise funds which would be recognized during the current period are deferred and not included in the determination of the change in net position until such costs are expected to be recovered through rates, in accordance with the regulated operations provisions of GASB Statement No. 62.

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 governmental capital assets is separately stated and depreciation of 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.

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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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, continued

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 to 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 1,116 hours. Accumulated vacation limitations vary from 240 to 304 hours depending on the applicable 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.

Government-wide Statements

In government-wide and proprietary financial statements, outstanding debt is reported as a liability. Bond discounts or premiums 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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

Recovery of Plant Costs

Capital contributions are received from customers and other third parties primarily to offset the costs associated with expansion of the City's utility systems. The City follows FERC guidelines for recording capital contributions. These guidelines direct the reduction of utility plant by the amount of these contributions. In order to comply with GASB codification Section N50, *Nonexchange Transactions*, while continuing to follow FERC guidelines, capital contributions are recorded as income and offset by an expense in the same amount representing the recovery of plant costs.

Net Position Flow Assumption

Government-wide Statements

Net position is classified and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings, net of issuance premiums or discounts, that are attributable to the acquisition, construction, or improvement of those assets. The portion of debt attributable to unspent debt proceeds is not included in the calculation of net investment in capital assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

Fund Balance Flow Assumption

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

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

Restricted – Amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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

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.

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

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 2018-2019 are recorded as revenue when expected to be collected within 60 days after September 30, 2019. 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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

5. Revenues, Expenditures, and Expenses, Continued

Property Taxes, Continued

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.

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 \$207,437 was covered by collateral held by the County.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

3. Revenue Restrictions

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

4. Debt Restrictions and Covenants

Bonds Payable

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

5. Budgetary Data

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

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

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

- a. On or before August 1, the City prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- b. The budget is published with subsequent public hearings to obtain taxpayer comments.
- c. Prior to September 20, the City Council adopts the budget, which is then filed with the appropriate state and county officials.
- d. Total expenditures may not legally exceed total appropriations. 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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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, 2019, 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	\$ 44,159,989
Restricted	6,621,362
Investments –	
Unrestricted	36,010,385
Restricted	<u>12,045,615</u>
Total	<u>\$98,837,351</u>

Investments and cash equivalents consist of the following:

Certificates of deposit	\$48,056,000
Deposit accounts and cash on hand	46,523,762
External investment pool	<u>4,257,589</u>
Total	<u>\$98,837,351</u>

2. Accounts Receivable

Accounts receivable of the business-type activities consists of utilities receivables. Accounts receivable of the governmental activities consist of ambulance (58.8 percent), waste transfer station (12.1 percent), cable franchise tax (11.0 percent), fees assessed (10.6 percent), keno proceeds (4.3 percent) and other (3.2 percent) receivables. Receivables detailed at September 30, 2019, are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Accounts receivable	\$ 714,583	\$ 3,550,420	\$ 4,265,003
Allowance for doubtful accounts	<u>(196,746)</u>	<u>(371,843)</u>	<u>(568,589)</u>
Net accounts receivable	<u>\$ 517,837</u>	<u>\$ 3,178,577</u>	<u>\$ 3,696,414</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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

3. Notes Receivable

Notes receivable at September 30, 2019, consist of the following:

<u>Company</u>	<u>Loan Amount</u>	<u>Date Issued</u>	<u>Interest</u>	<u>Type</u>	<u>Balance</u>
<u>Sales Tax Fund (LB840):</u>					
Sycamore Leaf Solutions	\$ 100,000	6/19/2015	0%	Performance Based	\$ 100,000
Structural Component Systems	200,000	5/13/2015	0%	Repayable	46,667
Structural Component Systems	400,000	5/13/2015	0%	Performance Based	80,000
Fremont Beef Company	300,000	5/13/2014	0%	Performance Based	60,000
Heartland Area Accessories	150,000	10/17/2016	0%	Performance Based	90,000
Pearl Academy	35,560	9/6/2018	2%	Repayable	28,080
Pearl Academy	35,561	9/6/2018	0%	Performance Based	28,449
Legacy Post & Beam	60,000	6/12/2018	0%	Performance Based	45,000
.042 Sports & Entertainment	250,000	1/2/2019	0%	Performance Based	200,000
Costco	1,000,000	7/22/2019	0%	Performance Based	1,000,000
Total Sales Tax Fund					1,678,196
<u>Weatherization EDA (HUD) Fund:</u>					
Interest bearing notes	\$ 190,999	Various	1-5%	Repayable	136,347
Non-interest bearing notes	1,186,698	Various	0%	Forgivable	511,297
					647,644
<u>Downtown Revitalization Loans (included in Weatherization Fund):</u>					
Non-interest bearing notes	620,978	Various	0%	Forgivable	205,108
Total Weatherization Fund					852,752
<u>Economic Enhancement Fund:</u>					
Fremont Beef	\$ 300,000	5/13/2014	0%	Performance Based	60,000
Costco	175,000	7/22/2019	0%	Performance Based	175,000
Total Economic Enhancement Fund					235,000
Total Notes Receivable					<u>\$ 2,765,948</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Balance at October 1, 2018	Additions	Disposals	Transfers	Balance at September 30, 2019
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 7,645,108	\$ 18,111	\$(272,637)	\$ -	\$ 7,390,582
Construction in progress	8,995,063	722,300	(66,119)	(863,140)	8,788,104
Total capital assets not being depreciated	<u>16,640,171</u>	<u>740,411</u>	<u>(338,756)</u>	<u>(863,140)</u>	<u>16,178,686</u>
Other capital assets being depreciated:					
Infrastructure	41,255,623	801,858	-	766,767	42,824,248
Buildings and improvements	16,818,122	353,499	(225,480)	96,373	17,042,514
Machinery and equipment	12,475,889	634,165	(168,140)	-	12,941,914
Total other capital assets at historical cost	<u>70,549,634</u>	<u>1,789,522</u>	<u>(393,620)</u>	<u>863,140</u>	<u>72,808,676</u>
Less accumulated depreciation for:					
Infrastructure	(12,930,933)	(1,105,563)	-	-	(14,036,496)
Buildings and improvements	(8,777,594)	(428,132)	141,615	-	(9,064,111)
Machinery and equipment	(7,362,355)	(909,196)	168,140	-	(8,103,411)
Total accumulated depreciation	<u>(29,070,882)</u>	<u>(2,442,891) *</u>	<u>309,755</u>	<u>-</u>	<u>(31,204,018)</u>
Other capital assets, net	<u>41,478,752</u>	<u>(653,369)</u>	<u>(83,865)</u>	<u>-</u>	<u>41,604,658</u>
Governmental activities capital assets, net	<u>\$ 58,118,923</u>	<u>\$ 87,042</u>	<u>\$(422,621)</u>	<u>\$ -</u>	<u>\$ 57,783,344</u>

* Depreciation expense was incurred by the following governmental activities:

General Fund

General government	<u>\$ 107,737</u>
Public safety:	
Police	223,259
Fire	234,019
E911	88,381
Civil Service	740
Total public safety	<u>546,399</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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

4. Capital Assets, Continued

General Fund, Continued

Public works:

Civil Engineering	\$ 122,895
Streets	<u>1,029,513</u>
Total public works	<u>1,152,408</u>

Environment and leisure:

Culture and recreation	471,490
Airport	<u>164,857</u>
Total environment and leisure	<u>636,347</u>

Total governmental activities depreciation expense \$ 2,442,891

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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

4. Capital Assets, Continued

	Balance at October 1, 2018	Additions	Disposals	Transfers	Balance at September 30, 2019
<u>Business-type Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 5,154,314	\$ -	\$ (102,140)	\$ -	\$ 5,052,174
Construction in progress	39,062,238	-	-	(7,899,524)	31,162,714
Total capital assets not being depreciated	<u>44,216,552</u>	<u>-</u>	<u>(102,140)</u>	<u>(7,899,524)</u>	<u>36,214,888</u>
Other capital assets being depreciated:					
Distribution systems, buildings, and equipment	293,640,493	11,352,790	(92,072)	7,899,524	312,800,735
Machinery and equipment	17,744,100	1,208,060	(369,141)	-	18,583,019
Office furniture and equipment	2,605,598	43,218	-	-	2,648,816
Vehicles	5,889,275	697,379	(227,853)	-	6,358,801
Total other capital assets at historical cost	<u>319,879,466</u>	<u>13,301,447</u>	<u>(689,066)</u>	<u>7,899,524</u>	<u>340,391,371</u>
Less accumulated depreciation for:					
Distribution systems, buildings, and equipment	(142,616,948)	(7,528,212)	71,672	-	(150,073,488)
Machinery and equipment	(12,942,242)	(776,482)	253,764	-	(13,464,960)
Office furniture and equipment	(2,230,367)	(117,330)	-	-	(2,347,697)
Vehicles	(3,568,450)	(341,422)	227,853	-	(3,682,019)
Total accumulated depreciation	<u>(161,358,007)</u>	<u>(8,763,446)*</u>	<u>553,289</u>	<u>-</u>	<u>(169,568,164)</u>
Other capital assets, net	<u>158,521,459</u>	<u>4,538,001</u>	<u>(135,777)</u>	<u>-</u>	<u>170,823,207</u>
Business-type activities capital assets, net	<u>\$ 202,738,011</u>	<u>\$ 4,538,001</u>	<u>\$ (237,917)</u>	<u>\$ -</u>	<u>\$ 207,038,095</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 5,582,815
Water	1,015,473
Sewer	1,645,049
Gas	<u>520,109</u>
Business-type activities depreciation expense	<u>\$ 8,763,446</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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, 2019:

	Balance at October 1, 2018	Additions	Deductions	Balance at September 30, 2019	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 1,285,883	\$ 1,128,004	\$ (1,085,758)	\$ 1,328,129	\$ 670,000
Bonds payable	2,485,000	-	(300,000)	2,185,000	305,000
Lease payable - direct borrowing	1,146,453	-	(216,112)	930,341	222,509
Total	\$ 4,917,336	\$ 1,128,004	\$ (1,601,870)	\$ 4,443,470	\$ 1,197,509
Business-type Activities:					
Bonds payable	\$ 60,825,000	\$ 40,000,000	\$ (3,655,000)	\$ 97,170,000	\$ 4,855,000
Unamortized bond premium	1,704,668	1,255,582	(192,481)	2,767,769	-
Unamortized bond discount	(40,533)	-	2,795	(37,738)	-
Total bonds payable	62,489,135	41,255,582	(3,844,686)	99,900,031	4,855,000
Compensated absences	1,501,541	1,186,955	(1,159,701)	1,528,795	714,104
Fly ash liability	174,505	-	(19,781)	154,724	-
Total	\$ 64,165,181	\$ 42,442,537	\$ (5,024,168)	\$ 101,583,550	\$ 5,569,104

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2019 are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 305,000	\$ 39,115	\$ 4,855,000	\$ 3,753,600
2021	320,000	35,150	4,745,000	3,639,120
2022	330,000	30,510	4,845,000	3,453,848
2023	340,000	25,230	4,925,000	3,292,288
2024	335,000	19,110	4,885,000	3,119,420
2025-2029	555,000	17,010	25,320,000	12,770,220
2030-2034	-	-	28,195,000	7,439,251
2035-2039	-	-	19,400,000	1,980,000
	\$ 2,185,000	\$ 166,125	\$ 97,170,000	\$ 39,447,747

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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

6. Long-term Debt, Continued

Lease Purchase Contract Payable

The City is leasing a radio system and radios under a noncancelable lease-purchase agreement expiring in 2023, at which time title will be conveyed to the City. The net book value of the leased assets is approximately \$1,448,774. The lease-purchase agreement is secured with the related leased equipment. The following schedule reflects future minimum lease payments under the lease-purchase agreement together with the present value of the net minimum lease payments as of September 30, 2019:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>
2020	\$ 250,047
2021	250,048
2022	250,048
2023	<u>250,048</u>
Total minimum lease payments	1,000,191
Less amount representing interest	<u>69,850</u>
Total principal obligation under capital lease (rate of interest 2.96%)	<u><u>\$ 930,341</u></u>

As of September 30, 2019, the City's long-term debt consisted of the following individual issues:

	<u>Date Issued</u>	<u>Date of Maturity</u>	<u>Date Callable</u>	<u>Interest Rates</u>	<u>Balance</u>
Governmental Activities:					
General Obligation Refunding Bonds for swimming pool	08/01/2017	08/01/2026	08/01/2022	3.375 – 5.0%	\$ 2,185,000
Capital lease obligation	11/01/2016	11/01/2023	N/A	2.9%	<u>930,341</u>
Total Governmental Activities					<u><u>\$ 3,115,341</u></u>
Business-type Activities:					
Combined Utilities revenue refunding bonds Series 2018	12/11/2018	11/15/2038	09/01/2023	0.85 – 1.80%	\$40,000,000
Combined Utilities revenue refunding bonds Series 2016	09/01/2016	09/01/2024	09/01/2021	0.85 – 1.80%	1,480,000
Combined Utilities revenue bonds Series 2015	05/15/2015	8/15/2023	05/05/2020	0.25 – 2.15%	1,775,000
Combined Utilities revenue refunding bonds Series 2014A	06/03/2014	09/01/2028	06/03/2019	0.03 – 3.40%	1,605,000

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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

6. Long-term Debt, Continued

	<u>Date Issued</u>	<u>Date of Maturity</u>	<u>Date Callable</u>	<u>Interest Rates</u>	<u>Balance</u>
Business-type Activities, continued:					
Combined Utilities revenue bonds Series 2014B	07/29/2014	07/15/2034	07/29/2021	2.00 – 5.00%	\$30,590,000
Combined Utilities revenue bonds Series 2013	08/30/2013	07/25/2033	08/30/2018	0.30 – 4.50%	6,970,000
Combined Utilities revenue refunding bonds Series 2012	03/06/2012	10/15/2026	03/06/2022	0.35 – 4.00%	<u>14,750,000</u>
Total Business-type Activities					<u>\$97,170,000</u>

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, 2019, the City had incurred a liability of \$154,724 for closure and post closure costs for the disposal area.

8. Tax Increment Financing Notes and Bonds

The City provides tax abatements under the Tax Increment Financing Program (TIF). Tax increment financing allows cities to create special districts and to make public/private improvements within those districts that will generate public/private-sector development. For a period of 15 years, the tax base is frozen at the predevelopment level, and taxes generated from the incremental increases in assessed value are remitted as payment on the notes and bonds. The developer funds the improvements or obtains financing for the improvements, and the development agreements between the City and developer expressly limit the City's commitment for debt repayment to the incremental tax collected during the 15-year period. At the end of the 15-year period, the tax jurisdiction collects on the increased property values. The related tax increment districts are not component units of the City; therefore, the City is not liable for the outstanding debt. The City's responsibility for this liability is limited only to remittances of paid taxes.

Eligibility for the approval requires the property to have no loss of pre-existing tax revenues and the developer demonstrates the project is not feasible without TIF. Abatements are obtained through application by the property owner and are reviewed and approved by a TIF council prior to commencing the improvements. Taxes abated under this program for the fiscal year ended September 30, 2019 were \$398,174.

The City purchased the bonds related to the South Broad Street, LLC project. The outstanding bonds are recorded as a TIF bond receivable in the Community Development Agency fund financial statements (Other Governmental) and a related Due to the General Fund. The General Fund financial statements likewise report a Due from Other Funds.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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

9. Interfund Transactions and Balances

At September 30, 2019 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	\$ 101,829
Payment for service provided	Electric	General	27,563
Payment for service provided	Water	General	3,837
Payment for service provided	Sewer	General	1,260
Payment for service provided	Gas	General	684
Capital expenditures	General	Sales Tax	102,563
Capital expenditures	Street	Sales Tax	256,200
Sale of Lot	Electric	Sales Tax	146,209
Reimburse shared expenses and payment for service provided	Electric	Street	4,100
Payment for service provided	Water	Street	81
Payment for service provided	Sewer	Street	9
Payment for service provided	Gas	Street	41
South Broad Street TIF	General	Community Development Agency	391,782
Service cash flow needs	General	Airport	20,000
South Hangar complex reimbursement	Sales Tax	Airport	126,898
Payment for service provided	Electric	Airport	1,018
Payment for service provided	Gas	Airport	7
Service cash flow needs	General	CBDG	29,000
Service cash flow needs	General	E911	200,000
Reimburse Shared Services	General	Electric	100,982
Reimburse Shared Services	General	Water	8,641
Reimburse Shared Services	General	Sewer	8,641
Reimburse Shared Services	General	Gas	17,442
Reimburse payment for service provided	Street	Water	1,688
Reimburse payment for service provided	Street	Sewer	413
Reimburse payment for service provided	Street	Gas	429
Payment for service provided	Electric	Electric	6,065
Payment for service provided	Electric	Water	30,060
Payment for service provided	Electric	Sewer	16,807
Payment for service provided	Electric	Gas	2,325
Payment for service provided	Water	Electric	2,122
Payment for service provided	Sewer	Electric	1,985
Payment for service provided	Gas	Electric	6,262

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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

9. Interfund Transactions and Balances, Continued

Operating transfers:

	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:			
Sales tax	Property tax relief; operating transfers; capital projects	\$ 4,019,549	\$ -
Keno	Property tax relief	420,000	-
Public use			
property special projects	Library books	1,616	-
Drug task force	City's share of multi-jurisdictional task force	2,347	-
Electric	Utility transfer in; expense reimbursement for IT purchases	2,403,618	(13,399)
Water	Utility transfer in	231,801	-
Sewer	Utility transfer in	355,421	-
Gas	Utility transfer in	267,431	-
Total General fund		<u>7,701,783</u>	<u>(13,399)</u>
Street fund:			
Sales tax	Various street improvement projects; drainage improvements: reimburse property insurance	12,581,966	-
Total Street fund		<u>12,581,966</u>	<u>-</u>
Sales tax fund:			
General	Property tax relief; operating transfers; capital projects	-	(4,019,549)
Street	Various street improvement projects; drainage improvements: reimburse property insurance	-	(12,581,966)
Special projects	Trail improvements	-	(12,937)
Water	Infrastructure debt service contribution	-	(129,347)
Sewer	Infrastructure debt service contribution	-	(103,668)
Total Sales tax fund		<u>-</u>	<u>(16,847,467)</u>
Non-major funds			
	Economic development – electric and gas to economic enhancement	100,000	-
	Others - see above	12,937	(423,963)
Enterprise funds - see above		<u>246,414</u>	<u>(3,358,271)</u>
Total operating transfers		<u>\$ 20,643,100</u>	<u>\$ (20,643,100)</u>

10. Deficit Fund Balance

At September 30, 2019 the CDBG Fund had a deficit balance of \$2,456, the Airport Fund had a \$754 deficit balance and Community Development Agency Fund had a deficit balance of \$260,176. Some of the deficits will be offset by unavailable revenue as it is collected and recognized in future years. The Community Development Agency also has the right to levy taxes to eliminate a deficit; however, no decision to levy taxes has been made.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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

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 \$744,534 and \$880,399, respectively, as required by the plan for the fiscal year ended September 30, 2019. Forfeitures used to reduce employer contributions as allowed under the Plan were \$14,714. 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 two years of service, 60 percent after four years of service, 80 percent after six years of service and 100 percent after seven years, in the City's contributions to the Plan. The employees and the City contributed \$192,348 and \$192,348, respectively, as required by the Plan for the fiscal year ended September 30, 2019. Forfeitures used to reduce employer contributions as allowed under the Plan were \$13,747. 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 20 percent for each year thereafter, up to 100 percent, in the City's contributions to the Plan. The employees and the City contributed \$112,674 and \$225,347, respectively, as required by the Plan for the fiscal year ended September 30, 2019. Forfeitures used to reduce employer contributions as allowed under the Plan were \$34,514. The Plan is administered by a trustee independent of the City and is, therefore, not included in these financial statements.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE D – OTHER NOTES, CONTINUED

1. Employee Pension and Other Benefit Plans, continued

Deferred Compensation Plan

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

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

The employees contributed \$328,288 and the City contributed \$0 under the plan for the year ended September 30, 2019.

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 246 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 incurred but not reported claims on health benefits, to be \$516,495. This amount represents subsequent payments on prior year claim activity. The City has also estimated the incurred but not reported claims on workers’ compensation, based on the claims for the two months subsequent to year end, to be \$76,075. This has been included as a current year expenditure. For all of the self-insured funds, an unrestricted net position balance of \$5,917,799 was in the Internal Service Fund at September 30, 2019.

Claim Liability at 9/30/2018	\$ 386,247
Claims Incurred during current year	5,135,099
Claims Paid during current year	<u>(4,928,776)</u>
Claim Liability at 9/30/2019	<u>\$ 592,570</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE D – OTHER NOTES, Continued

2. Risk Management, continued

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, 2019, the City's investments consisted of certificates of deposit at the following institutions:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank, Fremont	\$ 13,406,000 *
First National Bank, Fremont	13,025,000 *
Nebraska Land National Bank	2,000,000
First State Bank	2,000,000
Cornerstone Bank, Columbus	13,800,000 *
Nebraska Public Agency Investment Trust	3,825,000 *
Totals	<u>\$ 48,056,000</u>

* represents more than 5% 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, 2019.

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, 2019 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 2019	\$ 1,500,000
December 2019	10,250,000
January 2020	200,000
March 2020	16,550,000
April 2020	100,000
May 2020	2,100,000
June 2020	750,000
August 2020	2,725,000
September 2020	4,235,000
Due in more than 12 months	9,646,000
	<u>\$ 48,056,000</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

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.

Project	Contract Amount	Paid Through 9/30/2019	Obligation Pending	Expected Completion
Governmental:				
Pierce St Recons, Linden-Military	\$ 23,590	\$ 2,700	\$ 20,890	September 30, 2022
Luther Road Widening, Military-23rd	95,900	76,161	19,739	September 30, 2025
1st Street, Bell-Luther	78,500	72,630	5,870	September 30, 2025
32nd St Paving Improvements	82,330	76,910	5,420	September 30, 2022
Rawhide Creek Trail	228,241	48,606	179,635	September 30, 2021
Records Management CAD System	378,855	303,084	75,771	April 30, 2020
Johnson Road South Paving	1,644,634	206,828	1,437,807	September 30, 2020
Airport Aircraft Apron	2,432,581	195,455	2,237,126	September 30, 2020
City Auditorium Remodel	2,883,500	250,206	2,633,294	October 31, 2020
77 & Cloverly Intersection	259,459	45,000	214,459	September 30, 2020
911 Address Point Layer	32,068	25,850	6,218	May 31, 2020
Southeast Beltway	20,000,000	13,340,000	6,660,000	September 30, 2022
Enterprise Funds:				
69kV Joint Transmission Line	19,507,091	15,243,363	4,263,728	September 30, 2020
WWTP Upgrade	45,062,587	30,625,872	14,436,715	November 30, 2020
SCADA control system	2,253,883	562,631	1,691,252	June 30, 2021
Roadway Subdivision Water Main	29,000	14,473	14,527	July 31, 2020
North Gas Main Extension Project	170,518	74,744	95,774	September 30, 2020
Gallery 23 Gas Main	66,157	61,064	5,093	November 30, 2019
202 Freightliner Dump Truck	104,537	-	104,537	March 31, 2020
Municipal Buidling Elevator ADA	53,610	35,600	18,011	September 30, 2021
Honeywell Controls Hardware	484,020	338,814	145,206	April 30, 2020
Coal Handling Rail Extension	62,400	8,736	53,664	June 30, 2020
	<u>\$95,933,461</u>	<u>\$ 61,608,727</u>	<u>\$ 34,324,736</u>	

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE D – OTHER NOTES, CONTINUED

3. Commitments and Contingencies, Continued

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.

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, 2019 investments of \$1,000,000 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

On November 13, 2018, the Electric Department entered into an agreement with Cloud Peak Energy Resources, LLC., effective January 1, 2019 through December 31, 2019. Under the terms of the agreement, the City must purchase 225,000 tons of coal at an agreed-upon base price per ton, which will be adjusted each month for any variation in the Base Btu. As of September 30, 2019, the City had purchased 207,907 of the tons required under this contract.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE D – OTHER NOTES, CONTINUED

3. Commitments and Contingencies, Continued

Electric Department, continued,

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.

On September 11, 2018, the Electric Department entered into a rail transportation agreement with Union Pacific Railroad Company for coal shipping. The contract term is January 1, 2019 through December 31, 2024. Under the terms of the agreement, the shipping rate will increase 2.02 percent from the shipping rate effective July 1, 2018. The price will be adjusted based on the percentage change in the rail cost adjustment factor, as well as a mileage-based fuel surcharge adjusted monthly. The City must use Union Pacific to ship a minimum of 270,000 tons and a maximum volume of 400,000 tons for each twelve month(s) period, beginning January 1, 2019 through December 31, 2019, and each twelve month(s) period thereafter.

In 2016, the Electric Department entered into a power purchase agreement with Cottonwood Wind Project, LLC for power from a single wind energy facility of approximately 40 MW effective December 5, 2016 through December 5, 2041. During the 15th contact year, the City may exercise its option to purchase the facility property within 180 days after the end of the term.

Gas Department

The Gas Department entered into an agreement to purchase natural gas from the Central Plains Energy Project #3 (CPEP3) in April 2012. The agreement requires the City to purchase fixed monthly quantities of gas through 2042 at a discounted price that accounts for approximately 17 percent of the City's current requirements.

The Gas Department entered into an agreement to purchase natural gas from BP Canada Energy Marketing Corp. on September 18, 2012. The agreement was extended in June 2016 and is effective through October 31, 2020. 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 September 2018, the Gas Department entered into a contract to purchase natural gas from The Public Energy Authority of Kentucky (PEAK). The contract term is April 1, 2019 to March 31, 2049. Under the agreement, the City will purchase an average daily quantity of natural gas at a minimum discounted rate. At the end of each gas delivery resent period, the City has the right to elect not to purchase gas if the price of gas is above the minimum discount specified in the contract. The volume represents approximately 24 percent of the city's current requirements.

The Gas Department entered into an agreement to purchase natural gas from the Central Plains Energy Project #4 (CPEP4) in November 2018. The agreement requires the City to purchase fixed monthly quantities of gas through 2042 at a discounted price that accounts for approximately 14 percent of the City's current requirements.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2019

NOTE D – OTHER NOTES, CONTINUED

4. Major Customers

The City has one customer that was billed \$3,655,602 for electricity, \$2,145,289 for gas, \$2,168,926 for sewer and \$480,484 for water for the year ended September 30, 2019. This represents 9.6 percent of total electric billing, 14.5 percent of total gas billing, 43.8 percent of total sewer billing, and 12.5 percent of total water billing, respectively, for the year ended September 30, 2019. (The billings represent 14.2 percent of total City utility billings.) This customer maintains a current status on monthly billings.

5. Union Contracts

The City is subject to the following union contracts:

- International Brotherhood of Electrical Workers Local 1536 Unit 5 – effective October 1, 2017 – September 30, 2021.
- American Federation of State, County and Municipal Employees, AFL/CIO Local 251 – effective October 1, 2017 – September 30, 2021.
- International Association of Fire Fighters Local 1015 – effective October 1, 2017 – September 30, 2021.
- Fraternal Order of Police, Local No. 37 – effective October 1, 2019 – September 30, 2021.

6. Subsequent Events

On January 28, 2020, the Electric Department entered into an agreement with Navajo Transitional Energy Company, effective January 1, 2020 through December 31, 2021. Under the terms of the agreement, the City must purchase 225,000 tons of coal at an agreed-upon base price per ton each year, which will be adjusted each month for any variation in the Base Btu.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 5,981,702	\$ 5,989,693	\$ 7,991
Payments in lieu of taxes	9,000	12,133	3,133
Franchise	250,000	284,469	34,469
Business	1,610,000	1,797,928	187,928
Intergovernmental	2,019,776	1,702,626	(317,150)
Charges for services	2,765,000	3,080,230	315,230
Donations	565,000	13,330	(551,670)
Interest income	25,000	176,250	151,250
Other	6,002,000	366,831	(5,635,169)
	<u>19,227,478</u>	<u>13,423,490</u>	<u>(5,803,988)</u>
Total resources			
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	5,336,620	5,623,288	286,668
Public safety	9,770,531	9,060,418	(710,113)
Public works	493,940	462,507	(31,433)
Environment and leisure	12,567,519	3,601,376	(8,966,143)
Employee insurance	352,000	305,542	(46,458)
	<u>28,520,610</u>	<u>19,053,131</u>	<u>(9,467,479)</u>
Total charges to appropriations			
Resources over (under) charges to appropriations	<u>(9,293,132)</u>	<u>(5,629,641)</u>	<u>3,663,491</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	7,811,440	7,662,311	(149,129)
Transfers out	<u>(1,606,750)</u>	<u>(13,399)</u>	<u>1,593,351</u>
Net transfers	<u>6,204,690</u>	<u>7,648,912</u>	<u>1,444,222</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (3,088,442)</u>	<u>\$ 2,019,271</u>	<u>\$ 5,107,713</u>

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 575,000	\$ 588,746	\$ 13,746
Intergovernmental	3,510,109	3,715,470	205,361
Charges for services	30,000	1,629	(28,371)
Interest income	30,000	155,043	125,043
Other income	4,000,000	4,107	(3,995,893)
	<hr/>	<hr/>	<hr/>
Total resources	8,145,109	4,464,995	(3,680,114)
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	20,088,684	17,390,355	(2,698,329)
	<hr/>	<hr/>	<hr/>
Resources over (under) charges to appropriations	(11,943,575)	(12,925,360)	(981,785)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES			
Transfers in	6,279,114	12,587,992	6,308,878
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	\$ (5,664,461)	\$ (337,368)	\$ 5,327,093
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 6,834,000	\$ 7,858,620	\$ 1,024,620
Charges for services	-	12,237	12,237
Interest income	43,150	256,141	212,991
Other income	-	326,813	326,813
Loan repayment proceeds	-	303,623	303,623
	<hr/>	<hr/>	<hr/>
Total resources	6,877,150	8,757,434	1,880,284
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	<hr/> 2,019,000	<hr/> 2,871,987	<hr/> 852,987
Resources over (under) charges to appropriations	4,858,150	5,885,447	1,027,297
OTHER FINANCING USES			
Transfers out	<hr/> (10,451,506)	<hr/> (16,922,498)	<hr/> (6,470,992)
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES			
	<hr/> <u>\$ (5,593,356)</u>	<hr/> <u>\$ (11,037,051)</u>	<hr/> <u>\$ (5,443,695)</u>

CITY OF FREMONT, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019, 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	\$ 13,423,490	\$ 4,464,995	\$ 8,757,434
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>384,674</u>	<u>77,690</u>	<u>(131,819)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 13,808,164</u>	<u>\$ 4,542,685</u>	<u>\$ 8,625,615</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 19,053,131	\$ 17,390,355	\$ 2,871,987
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>(8,811)</u>	<u>229,922</u>	<u>(1,265,322)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 19,044,320</u>	<u>\$ 17,620,277</u>	<u>\$ 1,606,665</u>
Other financing sources (uses):			
Actual amounts (budgetary basis) "net transfers" from the budgetary comparison schedules	\$ 7,648,912	\$ 12,587,992	\$(16,922,498)
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>39,472</u>	<u>(6,026)</u>	<u>75,031</u>
Net transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,688,384</u>	<u>\$ 12,581,966</u>	<u>\$(16,847,467)</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF FREMONT, NEBRASKA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	Special Revenue Funds						
	Debt	Paving &	Business	Public Use	Keno	CDBG	Weatherization
	Service	Sidewalk Districts	Improvement District #1	Property Special Projects	Fund	Fund	EDA (HUD)
ASSETS							
Cash and cash equivalents	\$ 118,186	\$ 306,880	\$ 58,053	\$ 19,605	\$ 336,728	\$ 24,504	\$ 52,203
Investments	-	1,500,000	-	160,000	300,000	-	-
County treasurer cash	9,369	-	-	-	-	-	-
Receivables:							
Special assessments	-	203,264	6,771	-	-	-	-
Accounts, net of allowance for doubtful accounts	-	-	-	-	24,159	-	8,285
Notes, net of allowance for doubtful accounts	-	-	-	-	-	-	852,752
Interest	-	42,781	-	1,030	1,248	-	-
Property tax	25,278	-	-	-	-	-	-
Business tax	-	-	-	-	-	-	-
TIF notes receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	3,180	-
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 152,833	\$ 2,052,925	\$ 64,824	\$ 180,635	\$ 662,135	\$ 27,684	\$ 913,240
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ 586	\$ -	\$ 37,638	\$ 1,140	\$ 462
Due to other funds	-	-	-	-	-	29,000	-
Accrued expenses	-	201	-	-	-	-	-
Customer deposits	-	-	-	-	-	-	-
Total liabilities	-	201	586	-	37,638	30,140	462
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	21,955	-	-	-	-	-	-
Unavailable revenue - other local taxes	-	203,264	6,771	-	-	-	-
Unavailable revenue - fees and other	-	-	-	-	-	-	8,285
Total deferred inflows of resources	21,955	203,264	6,771	-	-	-	8,285
FUND BALANCES (DEFICIT)							
Nonspendable:							
Permanent fund principal	-	-	-	125,000	-	-	-
Restricted for:							
Debt service	130,878	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Capital/special projects	-	1,849,460	-	55,635	-	-	-
Federal programs	-	-	-	-	-	-	904,493
Community betterment	-	-	-	-	624,497	-	-
Assigned for:							
Downtown improvements/parking	-	-	57,467	-	-	-	-
Unassigned	-	-	-	-	-	(2,456)	-
Total fund balances (deficit)	130,878	1,849,460	57,467	180,635	624,497	(2,456)	904,493
Total liabilities, deferred inflows of resources and fund balances	\$ 152,833	\$ 2,052,925	\$ 64,824	\$ 180,635	\$ 662,135	\$ 27,684	\$ 913,240

CITY OF FREMONT, NEBRASKA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

SEPTEMBER 30, 2019

	Special Revenue Funds					Capital Projects	Total Non-major Governmental Funds
	Economic Enhancement	Airport Fund	Enhanced & Wireless 911	Drug Task Force	Community Development Agency	Special Projects	
ASSETS							
Cash and cash equivalents	\$ 413,987	\$ 14,669	\$ 194,584	\$ 30,230	\$ 131,606	\$ 548,056	\$ 2,249,291
Investments	-	-	250,000	-	-	-	2,210,000
County treasurer cash	-	-	-	-	-	-	9,369
Receivables:							
Special assessments	-	128,562	-	-	-	-	338,597
Accounts, net of allowance for doubtful accounts	-	3,009	-	-	-	-	35,453
Notes, net of allowance for doubtful accounts	235,000	-	-	-	-	-	1,087,752
Interest	-	-	4,036	-	-	-	49,095
Property tax	-	-	-	-	-	-	25,278
Business tax	-	-	25,773	-	-	-	25,773
TIF notes receivable	-	-	-	-	225,398	-	225,398
Due from other governments	-	172,035	54,831	-	-	-	230,046
Due from other funds	-	-	101,829	-	-	-	101,829
Total assets	\$ 648,987	\$ 318,275	\$ 631,053	\$ 30,230	\$ 357,004	\$ 548,056	\$ 6,587,881
LIABILITIES							
Accounts payable	\$ -	\$ 35,114	\$ 13,329	\$ -	\$ -	\$ -	\$ 88,269
Due to other funds	-	147,923	200,000	-	391,782	-	768,705
Accrued expenses	-	830	25,945	-	-	-	26,976
Customer deposits	-	6,600	-	-	-	-	6,600
Total liabilities	-	190,467	239,274	-	391,782	-	890,550
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	-	-	-	-	-	-	21,955
Unavailable revenue - other local taxes	-	-	-	-	-	-	210,035
Unavailable revenue - fees and other	-	128,562	54,831	-	225,398	-	417,076
Total deferred inflows of resources	-	128,562	54,831	-	225,398	-	649,066
FUND BALANCES (DEFICIT)							
Nonspendable:							
Permanent fund principal	-	-	-	-	-	-	125,000
Restricted for:							
Debt service	-	-	-	-	-	-	130,878
Public safety	-	-	336,948	30,230	-	-	367,178
Economic development	648,987	-	-	-	-	-	648,987
Capital/special projects	-	-	-	-	-	548,056	2,453,151
Federal programs	-	-	-	-	-	-	904,493
Community betterment	-	-	-	-	-	-	624,497
Assigned for:							
Downtown improvements/parking	-	-	-	-	-	-	57,467
Unreserved	-	(754)	-	-	(260,176)	-	(263,386)
Total fund balances (deficit)	648,987	(754)	336,948	30,230	(260,176)	548,056	5,048,265
Total liabilities, deferred inflows of resources and fund balances	\$ 648,987	\$ 318,275	\$ 631,053	\$ 30,230	\$ 357,004	\$ 548,056	\$ 6,587,881

CITY OF FREMONT, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds						
	Debt Service	Paving & Sidewalk Districts	Business Improvement District #1	Public Use Property Special Projects	Keno Fund	CDBG Fund	Weatherization EDA (HUD)
REVENUES							
Property tax	\$ 377,399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Occupation taxes	-	-	-	-	-	-	-
Payments in lieu of taxes	786	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	26,485	29,522
Keno	-	-	-	-	758,810	-	-
Charges for services	-	72,757	44,993	-	-	-	-
Donations	-	-	-	-	-	-	-
Interest income	303	89,963	125	6,082	9,679	-	1,023
Other income	-	-	-	-	1,680	-	-
Total revenues	<u>378,488</u>	<u>162,720</u>	<u>45,118</u>	<u>6,082</u>	<u>770,169</u>	<u>26,485</u>	<u>30,545</u>
EXPENDITURES							
General government	844	-	27,774	-	-	27,355	291,741
Public safety	-	-	-	-	-	-	-
Public works	-	68,544	-	-	-	-	-
Environment and leisure	-	-	-	-	189,520	-	-
Principal payments on debt	300,000	-	-	-	-	-	-
Interest on long-term debt	42,715	-	-	-	-	-	-
Total expenditures	<u>343,559</u>	<u>68,544</u>	<u>27,774</u>	<u>-</u>	<u>189,520</u>	<u>27,355</u>	<u>291,741</u>
Excess (deficiency) of revenues over expenditures	<u>34,929</u>	<u>94,176</u>	<u>17,344</u>	<u>6,082</u>	<u>580,649</u>	<u>(870)</u>	<u>(261,196)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(1,615)	(420,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,615)</u>	<u>(420,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>34,929</u>	<u>94,176</u>	<u>17,344</u>	<u>4,467</u>	<u>160,649</u>	<u>(870)</u>	<u>(261,196)</u>
Fund balances - September 30, 2018	<u>95,949</u>	<u>1,755,284</u>	<u>40,123</u>	<u>176,168</u>	<u>463,848</u>	<u>(1,586)</u>	<u>1,165,689</u>
Fund balances - September 30, 2019	<u>\$ 130,878</u>	<u>\$ 1,849,460</u>	<u>\$ 57,467</u>	<u>\$ 180,635</u>	<u>\$ 624,497</u>	<u>\$ (2,456)</u>	<u>\$ 904,493</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, 2019

	Special Revenue Funds					Capital Projects	Total Non-major Governmental Funds
	Economic Enhancement	Airport Fund	Enhanced & Wireless 911	Drug Task Force	Community Development Agency	Special Projects	
REVENUES							
Property tax	\$ -	\$ -	\$ -	\$ -	\$ 398,174	\$ -	\$ 775,573
Occupation taxes	-	-	116,282	-	-	-	116,282
Payment in lieu of taxes	-	-	-	-	-	-	786
Intergovernmental	-	172,035	946,248	6,343	-	-	1,180,633
Keno	-	-	-	-	-	-	758,810
Charges for services	-	142,057	-	-	-	-	259,807
Donations	-	-	4,075	-	-	-	4,075
Interest income	1,185	400	7,088	-	65	1,315	117,228
Other income	-	-	-	-	-	-	1,680
Total revenues	<u>1,185</u>	<u>314,492</u>	<u>1,073,693</u>	<u>6,343</u>	<u>398,239</u>	<u>1,315</u>	<u>3,214,874</u>
EXPENDITURES							
General government	60,000	-	-	-	434,746	-	842,460
Public safety	-	-	1,007,979	-	-	-	1,007,979
Public works	-	-	-	-	-	-	68,544
Environment and leisure	-	371,593	-	-	-	12,937	574,050
Principal payments on debt	-	-	-	-	-	-	300,000
Interest on long-term debt	-	-	-	-	-	-	42,715
Total expenditures	<u>60,000</u>	<u>371,593</u>	<u>1,007,979</u>	<u>-</u>	<u>434,746</u>	<u>12,937</u>	<u>2,835,748</u>
Excess (deficiency) of revenues over expenditures	<u>(58,815)</u>	<u>(57,101)</u>	<u>65,714</u>	<u>6,343</u>	<u>(36,507)</u>	<u>(11,622)</u>	<u>379,126</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	100,000	-	-	-	-	12,937	112,937
Transfers out	-	-	-	(2,348)	-	-	(423,963)
Total other financing sources (uses)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(2,348)</u>	<u>-</u>	<u>12,937</u>	<u>(311,026)</u>
Net change in fund balances	41,185	(57,101)	65,714	3,995	(36,507)	1,315	68,100
Fund balances - September 30, 2018	<u>607,802</u>	<u>56,347</u>	<u>271,234</u>	<u>26,235</u>	<u>(223,669)</u>	<u>546,741</u>	<u>4,980,165</u>
Fund balances - September 30, 2019	<u>\$ 648,987</u>	<u>\$ (754)</u>	<u>\$ 336,948</u>	<u>\$ 30,230</u>	<u>\$ (260,176)</u>	<u>\$ 548,056</u>	<u>\$ 5,048,265</u>

**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fremont, Nebraska (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 6, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Omaha, Nebraska
March 6, 2020