

CITY OF FREMONT, NEBRASKA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

September 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 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 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated April 26, 2019, on our consideration of the City's internal control over financial reporting and 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
April 26, 2019

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018.

Financial Highlights

- The assets of the City of Fremont exceeded its liabilities at the close of the most recent fiscal year by \$282,060,969 (*net position*). Of this amount, \$48,393,293 (*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 \$112,247,991. Approximately 18.3 percent of this total amount, \$20,592,266, is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,889,161, or 66.1 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, 2018

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 24 - 52 of this report.

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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 54 - 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 59 - 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$282,060,969 at the close of the most recent fiscal year.

Statement of Net Position

	September 30, 2018			September 30, 2017		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 58,667,924	\$ 34,654,976	\$ 93,322,900	\$ 55,499,583	\$ 61,970,482	\$117,470,065
Capital Assets	58,118,923	202,738,011	260,856,934	55,852,898	178,495,150	234,348,048
Deferred Outflow of Resources	4,226	143,594	147,820	4,766	162,096	166,862
Total Assets and Deferred Outflow s	116,791,073	237,536,581	354,327,654	111,357,247	240,627,728	351,984,975
Long-term Liabilities	3,601,223	59,441,417	63,042,640	4,111,812	63,057,656	67,169,468
Other Liabilities	3,140,997	17,462,832	20,603,829	3,238,682	17,085,849	20,324,531
Deferred Inflow of Resources	-	751	751	-	918	918
Total Liabilities and Deferred Inflow s	6,742,220	76,905,000	83,647,220	7,350,494	80,144,423	87,494,917
Net Position:						
Net Investment in Capital Assets	54,260,234	132,830,554	187,090,788	51,258,923	104,266,759	155,525,682
Restricted						
Expendable	37,270,491	9,181,397	46,451,888	34,145,238	8,812,385	42,957,623
Nonexpendable	125,000	-	125,000	125,000	-	125,000
Unrestricted	20,592,266	27,801,027	48,393,293	18,477,592	47,404,161	65,881,753
Total Net Position	\$112,247,991	\$169,812,978	\$282,060,969	\$104,006,753	\$160,483,305	\$264,490,058

The largest portion of the City of Fremont's net position (66.3 percent) reflects its net investment in capital assets (land, infrastructure, buildings, machinery, vehicles and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Fremont uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Fremont's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Fremont's net position (16.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$48,393,293) 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, 2018**

Governmental Activities. Net position increased \$8,241,238 in the governmental activities during the year ended September 30, 2018, accounting for 46.9 percent of the total growth in the City's net position for the year ended September 30, 2018. Key elements of this increase are as follows:

Expenses and Program Revenues - Governmental Activities

<u>Function</u>	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
General government	\$ 1,755,789	\$ 4,816,845	\$ 1,603,493	\$ 4,623,120
Public safety	1,714,721	9,256,898	1,668,473	8,961,080
Public works	3,306,655	3,207,770	4,138,788	4,600,783
Environment and leisure	606,024	3,442,184	879,485	3,683,854
Non-departmental	-	305,538	-	281,648
Interest	-	92,846	-	145,505
Total	<u>\$ 7,383,189</u>	<u>\$ 21,122,081</u>	<u>\$ 8,290,239</u>	<u>\$ 22,295,990</u>

Revenues by Source – Governmental Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
Charges for services	\$ 3,927,048	12.38 %	\$ 4,010,875	12.67 %
Operating grants and contributions	1,367,871	4.31	1,381,369	4.37
Capital grants and contributions	2,088,270	6.59	2,897,995	9.16
Property taxes	6,143,230	19.37	4,996,675	15.79
Motor vehicle taxes	560,088	1.77	552,542	1.75
Sales tax	7,236,366	22.82	6,524,834	20.62
Payments in lieu of taxes	12,921	0.04	10,216	0.03
Franchise taxes	219,625	0.69	266,087	0.84
Other taxes	1,765,335	5.57	1,738,165	5.49
State allocation	3,847,928	12.13	3,698,576	11.69
Keno	685,501	2.16	629,758	1.99
Special assessments	248,251	0.78	120,603	0.38
Miscellaneous	33,783	0.11	1,264,745	4.00
Interest	563,787	1.78	316,967	1.00
Gain on sale of assets	80,537	0.25	17,668	0.06
Transfer from other funds	2,930,844	9.25	3,217,310	10.16
Total	<u>\$ 31,711,385</u>	<u>100.00 %</u>	<u>\$ 31,644,385</u>	<u>100.00 %</u>

Business-type Activities. Business-type activities increased the City of Fremont's net position by \$9,329,673, accounting for total growth of 53.1 percent of the total growth in the government's net position for the year ended September 30, 2018. Key elements of this increase are as follows:

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Expenses and Program Revenues – Business-type Activities

<u>Function</u>	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
	<u>Program Revenues</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Program Expenses</u>
Electric	\$ 43,298,219	\$ 34,980,045	\$ 40,795,839	\$ 32,467,281
Water	3,817,532	3,115,748	3,610,338	2,683,150
Sewer	6,315,110	4,610,751	5,836,831	4,098,879
Gas	14,195,339	13,026,547	1,255,719	11,839,660
Total	<u>\$ 67,626,200</u>	<u>\$ 55,733,091</u>	<u>\$ 51,498,727</u>	<u>\$ 51,088,970</u>

Revenues by Source – Business-type Activities

SOURCES OF REVENUE

	<u>Year Ended September 30, 2018</u>		<u>Year Ended September 30, 2017</u>	
Charges for services	\$ 66,828,234	102.71 %	\$ 62,170,537	103.72 %
Operating grants and contributions	311,226	0.48	142,408	0.24
Capital grants and contribution:	486,740	0.75	483,782	0.81
Interest	459,625	0.71	360,388	0.60
Loss on sale of assets	(90,217)	(0.15)	-	-
Transfer to other funds	<u>(2,930,844)</u>	<u>(4.50)</u>	<u>(3,217,310)</u>	<u>(5.37)</u>
Total	<u>\$ 65,064,764</u>	<u>100.00 %</u>	<u>\$ 59,939,805</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, *unassigned 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 \$53,083,777. Approximately 22.0 percent of this total amount (\$11,665,492) 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 (\$95,949), 2) restricted for street improvements (\$14,395,467), 3) restricted for public safety (\$2,103,933), 4) restricted for infrastructure (\$7,082,987), 5) restricted for property tax relief (\$573,734), 6) restricted for economic development (\$8,295,658), 7) restricted for a variety of capital/special projects (\$2,353,193), 8) restricted for Federal programs (\$1,164,103), 9) restricted for community betterment (\$463,848), 10) committed for code enforcement/defense (\$1,626,631), 11) assigned for downtown improvement projects (\$40,123), 12) assigned for the airport \$56,347, 13) endowed as non-spendable principal (\$125,000), or 14) non-spendable prepaid expense (\$41,312).

The General Fund is the chief operating fund of the City of Fremont. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$11,889,161. 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 66.1 percent of total General Fund expenditures.

The fund balance of the City of Fremont's General Fund increased by \$959,237, during the current fiscal year, which was approximately \$2,538,000 more than was budgeted. The increase was due in part to

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2018

higher than expected interest income by \$117,000, and expenditure savings that included \$251,000 in personal services, \$603,500 in contractual services, \$116,700 in commodities, and capital projects not completed, totaling a net \$48,600 (total capital not spent of \$2,383,600, less revenue and transfers from other funds not received because projects were not completed in the amount of \$2,432,000).

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

Unrestricted net position of the *proprietary funds* at the end of the year were as follows: Electric Fund - \$17,957,793, Water Fund - \$3,682,739, Sewer Fund - \$369,467, and Gas Fund - \$5,791,028. The change in net position for the proprietary funds was as follows: Electric Fund - \$6,232,040, Water Fund - \$597,741, Sewer Fund - \$1,558,141, and Gas Fund - \$941,751. The increase in the Electric Fund net position was attributable to increased off system sales and a number of projects that included capitalized costs, and salary savings. The increase in the Sewer Fund was attributable to additional charges to industrial customers based on concentration of waste. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Fremont's business-type activities.

Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets. The City of Fremont's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$260,856,934 (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:

- Solar Farm #1 - \$1,791,216
- Electric distribution system improvements - \$1,004,533
- WWTP Land Parcel #270140286 - \$898,159
- 2017 Rotochopper Tree Grinder - \$732,851
- Broad Street S ROW BNRR - \$643,552
- CAT 972M Wheel Loader - \$451,693
- Unit 8 Exciter Replacement - \$408,285
- Unit 8 Heater #4 Retube - \$343,431
- Memorial Complex Parking Lot - \$317,679
- Elk Lane Diers 6th Addition - \$311,355
- Gas system improvements - \$310,685
- Broad Street Judy Drive - \$305,722
- Sewer system improvements - \$287,918
- 2018 Digger Derrick Truck - \$284,947
- Electric transmission system improvements - \$240,234
- East Ash Silo Conditioner - \$233,418
- Deer Lane Diers 6th Addition - \$204,765
- PD #550 Johnson Rd, Peterson-16th - \$200,130

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

- Wastewater treatment plant upgrades - \$12,755,993
- 69KV joint transmission line project - \$4,873,727
- Costco Sewer extension - \$2,471,406
- Costco Gas extension - \$1,997,934
- Solar farm #2 - \$1,529,518
- Costco Electric extension - \$1,236,785
- Scrubbed natural gas line - \$1,006,868
- Park Avenue, 2nd - Military - \$829,674
- Substation fiber ring - \$732,030
- Substation B upgrade - \$720,006
- Costco Water extension - \$706,272
- Pedestrian Signal Replacements - \$276,839
- LDW storage building - \$252,590
- Wellfield chemical feed building - \$215,880

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

	Year Ended September 30, 2018			Year Ended September 30, 2017		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 7,645,108	\$ 5,154,314	\$ 12,799,422	\$ 7,752,451	\$ 4,256,155	\$ 12,008,606
Construction in Progress	8,995,063	39,062,238	48,057,301	7,734,896	14,650,505	22,385,401
Infrastructure	28,324,690	-	28,324,690	26,837,733	-	26,837,733
Buildings and Improvements	8,040,528	-	8,040,528	8,409,468	-	8,409,468
Machinery and Equipment	5,113,534	4,801,858	9,915,392	5,118,350	4,028,846	9,147,196
Distribution Systems, Buildings, and Equipment	-	151,023,545	151,023,545	-	153,255,998	153,255,998
Office Furniture and Equipment	-	375,231	375,231	-	445,711	445,711
Vehicles	-	2,320,825	2,320,825	-	1,857,935	1,857,935
Total	\$ 58,118,923	\$ 202,738,011	\$ 260,856,934	\$ 55,852,898	\$ 178,495,150	\$ 234,348,048

Additional information on the City of Fremont's capital assets can be found in Note C4 on pages 38 – 40 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 \$64,456,453.

CITY OF FREMONT, NEBRASKA

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

City of Fremont's Outstanding Debt

	Year Ended September 30, 2018			Year Ended September 30, 2017		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
General Obligation Bonds	\$ 2,485,000	\$ -	\$ 2,485,000	\$ 2,780,000	\$ -	\$ 2,780,000
Revenue Bonds	-	60,825,000	60,825,000	-	64,195,000	64,195,000
Notes Payable	-	-	-	12,250	-	12,250
Capital leases payable	1,146,453	-	1,146,453	1,356,353	-	1,356,353
Total	\$ 3,631,453	\$ 60,825,000	\$ 64,456,453	\$ 4,148,603	\$ 64,195,000	\$ 68,343,603

The City of Fremont's total debt decreased by \$3,887,150 (5.7 percent). The City continues to pay down bonded indebtedness.

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

Additional information on the City of Fremont's long-term debt can be found in Note C6 on pages 41 - 43 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City is in the second year of the two-year budget for 2018 and 2019.
- Property tax assessment for the year ending September 30, 2018 is \$6,417,799, which is 9.2 percent higher than the assessment for the year ended September 30, 2017, due primarily to an increase in property values within City limits. In prior years, the City Council had imposed property taxes in anticipation of the costs related to defending and implementing a citizen-initiated ordinance. Litigation has been resolved leaving a balance of unspent funds. This unspent balance has been committed by the City Council for law enforcement and capital improvements at the Police Station. The City Council committed \$1,626,631 at September 30, 2018 for this purpose. In addition, the City Council has also committed an additional \$3,000,000 for other capital improvement projects throughout the City.
- A large employer and utility customer began 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 utility extensions to this facility, as well as 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; however, the customer contributed \$7,200,000 of the TIF proceeds for the infrastructure improvements to be made by the City.
- 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 - \$31,000,000
 - 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 contribution will be \$20,000,000 over a three-year period.
 - Additional electrical transmission line progress payments- \$9,000,000

CITY OF FREMONT, NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2018

- Two separate ballot questions for GO Bonds of \$2,000,000 each to finance:
 - Library expansion - \$8,000,000
 - City Auditorium renovation - \$3,500,000
- Natural Gas line upgrade from border station - \$4,000,000
- Various citywide paving and resurfacing projects - \$3,400,000
- The City Council approved a four percent increase in rates for the Electric Fund effective November 2017, and another four percent increase effective November 2018. An increase in Sewer Fund rates is anticipated and additional revenue was budgeted in the 2019 fiscal year 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 2018 and 2019 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 25,502,080	\$ 6,919,609	\$ 32,421,689
Investments	29,411,395	10,854,929	40,266,324
County treasurer cash	143,884	-	143,884
Receivables:			
Special assessments	480,407	-	480,407
Accounts, net of allowance for doubtful accounts	491,012	3,649,118	4,140,130
Unbilled revenue	-	3,663,770	3,663,770
Interest	249,253	206,013	455,266
Property tax	174,609	-	174,609
Business tax	213,764	-	213,764
Other tax	293,149	-	293,149
Receivable (payable) to other funds	112,235	(112,235)	-
Due from other governments	1,554,824	427,068	1,981,892
Inventory	-	8,804,200	8,804,200
Prepaid expenses	41,312	242,504	283,816
Total current assets	<u>58,667,924</u>	<u>34,654,976</u>	<u>93,322,900</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	15,326	15,326
Restricted investments	-	9,166,071	9,166,071
TIF notes receivable	189,632	-	189,632
Notes receivable, net of allowance	2,009,506	-	2,009,506
Capital assets:			
Land	7,645,108	5,154,314	12,799,422
Construction in progress	8,995,063	39,062,238	48,057,301
Other capital assets, net of depreciation	41,478,752	158,521,459	200,000,211
Net capital assets	<u>58,118,923</u>	<u>202,738,011</u>	<u>260,856,934</u>
Total noncurrent assets	<u>60,318,061</u>	<u>211,919,408</u>	<u>272,237,469</u>
Total assets	<u>118,985,985</u>	<u>246,574,384</u>	<u>365,560,369</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on bond refundings	4,226	143,594	147,820
Total deferred outflows of resources	<u>4,226</u>	<u>143,594</u>	<u>147,820</u>
LIABILITIES			
Current liabilities:			
Accounts payable	873,845	6,698,986	7,572,831
Claims liability	386,247	8,064	394,311
Accrued expenses	530,950	1,439,964	1,970,914
Due to other governments	9,849	-	9,849
Unearned revenues	7,800	206,412	214,212
Customer deposits	16,193	645,851	662,044
Advances for construction	-	3,739,791	3,739,791
Current portion of compensated absences	800,000	1,068,764	1,868,764
Current portion of long-term debt	516,113	3,655,000	4,171,113
Total current liabilities	<u>3,140,997</u>	<u>17,462,832</u>	<u>20,603,829</u>
Noncurrent liabilities:			
Compensated absences	485,883	432,777	918,660
Fly ash liability/closure costs payable	-	174,505	174,505
Noncurrent portion of long-term debt	3,115,340	58,834,135	61,949,475
Total noncurrent liabilities	<u>3,601,223</u>	<u>59,441,417</u>	<u>63,042,640</u>
Total liabilities	<u>6,742,220</u>	<u>76,904,249</u>	<u>83,646,469</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on bond refundings	-	751	751
Total deferred inflows of resources	<u>-</u>	<u>751</u>	<u>751</u>
NET POSITION			
Net investment in capital assets	54,260,234	132,830,554	187,090,788
Restricted for:			
Debt service	95,949	8,355,902	8,451,851
Fly ash disposal	-	825,495	825,495
Street improvements	14,465,595	-	14,465,595
Federal grant programs	1,164,103	-	1,164,103
Other purposes	-	-	-
Expendable	21,544,844	-	21,544,844
Non expendable	125,000	-	125,000
Unrestricted	<u>20,592,266</u>	<u>27,801,027</u>	<u>48,393,293</u>
Total net position	<u>\$ 112,247,991</u>	<u>\$ 169,812,978</u>	<u>\$ 282,060,969</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 4,816,845	\$ 1,313,817	\$ 441,972	\$ -	\$ (3,061,056)	\$ -	\$ (3,061,056)	
Public safety	9,256,898	1,497,218	217,503	-	(7,542,177)	-	(7,542,177)	
Public works	3,207,770	548,291	670,094	2,088,270	98,885	-	98,885	
Environment and leisure	3,442,184	567,722	38,302	-	(2,836,160)	-	(2,836,160)	
Non-departmental	305,538	-	-	-	(305,538)	-	(305,538)	
Interest on long-term debt	92,846	-	-	-	(92,846)	-	(92,846)	
Depreciation and amortization	2,348,066	-	-	-	(2,348,066)	-	(2,348,066)	
Total governmental activities	<u>23,470,147</u>	<u>3,927,048</u>	<u>1,367,871</u>	<u>2,088,270</u>	<u>(16,086,958)</u>	<u>-</u>	<u>(16,086,958)</u>	
Business-type activities:								
Electric	34,980,045	42,986,993	311,226	-	-	8,318,174	8,318,174	
Water	3,115,748	3,817,532	-	-	-	701,784	701,784	
Sewer	4,610,751	5,828,370	-	486,740	-	1,704,359	1,704,359	
Gas	13,026,547	14,195,339	-	-	-	1,166,792	1,166,792	
Total business-type activities	<u>55,733,091</u>	<u>66,828,234</u>	<u>311,226</u>	<u>486,740</u>	<u>-</u>	<u>11,891,109</u>	<u>11,891,109</u>	
Total primary government	<u>\$ 79,203,238</u>	<u>\$ 70,755,282</u>	<u>\$ 1,679,097</u>	<u>\$ 2,575,010</u>	<u>\$ (16,086,958)</u>	<u>\$ 11,891,109</u>	<u>\$ (4,195,849)</u>	
General revenues:								
Taxes:								
					6,143,230	-	6,143,230	
					560,088	-	560,088	
					7,236,366	-	7,236,366	
					12,921	-	12,921	
					219,625	-	219,625	
					1,765,335	-	1,765,335	
					3,847,928	-	3,847,928	
					685,501	-	685,501	
					248,251	-	248,251	
					33,783	-	33,783	
					563,787	459,625	1,023,412	
					80,537	(90,217)	(9,680)	
					2,930,844	(2,930,844)	-	
					<u>24,328,196</u>	<u>(2,561,436)</u>	<u>21,766,760</u>	
					<u>8,241,238</u>	<u>9,329,673</u>	<u>17,570,911</u>	
					Net position - September 30, 2017	104,006,753	160,483,305	264,490,058
					Net position - September 30, 2018	<u>\$ 112,247,991</u>	<u>\$ 169,812,978</u>	<u>\$ 282,060,969</u>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General	Street	Sales Tax	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,595,023	\$ 3,128,676	\$ 13,367,511	\$ 2,117,780	\$ 22,208,990
Investments	12,550,734	5,100,000	7,850,245	2,160,416	27,661,395
County treasurer cash	93,207	44,804	-	5,873	143,884
Receivables:					
Special assessments	27,747	27,351	-	425,309	480,407
Accounts, net of allowance for doubtful accounts	453,637	8,689	-	28,588	490,914
Notes receivable, net of allowance for doubtful accounts	-	-	720,498	1,289,008	2,009,506
Interest	99,414	35,741	64,387	44,770	244,312
Property tax	164,270	-	-	10,339	174,609
Business tax	186,206	-	-	27,558	213,764
Other tax	-	293,149	-	-	293,149
TIF notes receivable	-	-	-	189,632	189,632
Due from other governments	16,585	-	1,332,457	205,782	1,554,824
Due from other funds	839,579	264,756	128,698	247,947	1,480,980
Prepaid expenses	41,312	-	-	-	41,312
Total assets	\$ 18,067,714	\$ 8,903,166	\$ 23,463,796	\$ 6,753,002	\$ 57,187,678
LIABILITIES					
Accounts payable	\$ 450,515	\$ 140,618	\$ 41,323	\$ 182,800	\$ 815,256
Accrued expenses	414,618	68,565	-	47,767	530,950
Due to other governments	3,507	-	-	6,342	9,849
Due to other funds	182,544	5,492	429,941	750,768	1,368,745
Customer deposits	16,193	-	-	-	16,193
Unearned revenue	-	-	-	7,800	7,800
Total liabilities	<u>1,067,377</u>	<u>214,675</u>	<u>471,264</u>	<u>995,477</u>	<u>2,748,793</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	119,293	-	-	7,514	126,807
Unavailable revenue - other local taxes	27,747	27,351	-	276,020	331,118
Unavailable revenue - fees and other	296,193	42,777	64,387	493,826	897,183
Total deferred inflows	<u>443,233</u>	<u>70,128</u>	<u>64,387</u>	<u>777,360</u>	<u>1,355,108</u>
FUND BALANCES (DEFICIT)					
Nonspendable:					
Permanent fund principal	-	-	-	125,000	125,000
Prepaid expenses	41,312	-	-	-	41,312
Restricted for:					
Debt service	-	-	-	95,949	95,949
Street improvements	-	8,618,363	5,777,104	-	14,395,467
Public safety	-	-	1,806,464	297,469	2,103,933
Infrastructure	-	-	7,082,987	-	7,082,987
Property tax relief	-	-	573,734	-	573,734
Economic development	-	-	7,687,856	607,802	8,295,658
Capital/special projects	-	-	-	2,353,193	2,353,193
Federal programs	-	-	-	1,164,103	1,164,103
Community betterment	-	-	-	463,848	463,848
Committed for:					
Code enforcement/defense	1,626,631	-	-	-	1,626,631
Capital improvement projects	3,000,000	-	-	-	3,000,000
Assigned for:					
Airport	-	-	-	56,347	56,347
Other	-	-	-	40,123	40,123
Unassigned	11,889,161	-	-	(223,669)	11,665,492
Total fund balances	<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>
Total liabilities, deferred inflows of resources and fund balances	\$ 18,067,714	\$ 8,903,166	\$ 23,463,796	\$ 6,753,002	\$ 57,187,678

See notes to financial statements

CITY OF FREMONT, NEBRASKA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances - governmental funds \$ 53,083,777

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 \$87,189,805, and the accumulated depreciation is \$29,070,882. 58,118,923

Deferred amounts on bond refundings are not financial resources and, therefore, are not reported as assets in governmental funds. 4,226

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. 4,603,293

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are deferred. 1,355,108

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	\$ (1,285,883)	
Bonds and lease payable	(3,631,453)	(4,917,336)

Total net position - governmental activities **\$ 112,247,991**

CITY OF FREMONT, NEBRASKA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes:					
Property	\$ 5,519,651	\$ -	\$ -	\$ 591,260	\$ 6,110,911
Motor vehicle	-	560,088	-	-	560,088
Sales tax	-	-	7,236,366	-	7,236,366
Payments in lieu of taxes	11,521	-	-	896	12,417
Franchise	213,782	-	-	-	213,782
Business	1,640,827	-	-	124,508	1,765,335
Intergovernmental	1,131,511	3,503,755	-	1,575,059	6,210,325
Keno	-	-	-	685,501	685,501
Charges for services	2,800,801	35,908	39,435	310,068	3,186,212
Donations	65,388	-	-	-	65,388
Interest income	133,158	63,057	228,986	35,708	460,909
Other income	60,110	7,091	142,398	30,070	239,669
Total revenues	<u>11,576,749</u>	<u>4,169,899</u>	<u>7,647,185</u>	<u>3,353,070</u>	<u>26,746,903</u>
EXPENDITURES					
General government	5,013,297	-	688,592	611,204	6,313,093
Public safety	8,553,200	-	-	1,077,937	9,631,137
Public works	432,263	4,153,831	-	202,522	4,788,616
Environment and leisure	3,427,269	-	-	388,689	3,815,958
Employee insurance	305,538	-	-	-	305,538
Principal payments on debt	209,900	-	-	307,250	517,150
Interest on long-term debt	40,148	-	-	45,960	86,108
Total expenditures	<u>17,981,615</u>	<u>4,153,831</u>	<u>688,592</u>	<u>2,633,562</u>	<u>25,457,600</u>
Excess (deficiency) of revenues over expenditures	<u>(6,404,866)</u>	<u>16,068</u>	<u>6,958,593</u>	<u>719,508</u>	<u>1,289,303</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	7,401,951	1,347,793	-	198,067	8,947,811
Transfers out	(37,848)	-	(5,363,953)	(615,166)	(6,016,967)
Net other sources and uses	<u>7,364,103</u>	<u>1,347,793</u>	<u>(5,363,953)</u>	<u>(417,099)</u>	<u>2,930,844</u>
Net change in fund balances	959,237	1,363,861	1,594,640	302,409	4,220,147
Fund balances - September 30, 2017	<u>15,597,867</u>	<u>7,254,502</u>	<u>21,333,505</u>	<u>4,677,756</u>	<u>48,863,630</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>

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, 2018

Total net change in fund balances - governmental funds	\$	4,220,147
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay (\$2,643,471) and capital lease principal payments (\$209,900) exceed depreciation expense (\$2,348,066) and disposal of capital assets (\$112,066) in the period.		
		393,239
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.		
		1,253,373
TIF proceeds and payments are reported as revenue and expenses in the governmental funds, but are reported as notes receivable and payable in the statement of net position.		
		(8,084)
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.		
		(5,524)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount that contributions of capital assets (\$2,090,770) exceeded the change in deferred inflows in the governmental funds (\$9,986).		
		2,081,377
Repayment of bond principal, 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.		
		307,250
Change in net position of governmental activities	\$	8,241,238

CITY OF FREMONT, NEBRASKA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 2,414,397	\$ 2,994,518	\$ -	\$ 1,510,694	\$ 6,919,609	\$ 3,293,090
Investments	6,286,106	-	2,568,823	2,000,000	10,854,929	1,750,000
Receivables:						
Accounts, net of allowance for doubtful accounts	2,869,339	307,976	173,520	298,283	3,649,118	98
Unbilled revenue	2,362,246	281,029	480,221	540,274	3,663,770	-
Due from other funds	1,803,233	8,453	3,376	1,015,539	2,830,601	-
Due from other governments	427,068	-	-	-	427,068	-
Interest	167,078	11,592	3,510	23,833	206,013	4,941
Inventory	7,086,229	279,871	124,089	1,314,011	8,804,200	-
Prepaid expenses	152,780	21,723	21,723	46,278	242,504	-
Total current assets	<u>23,568,476</u>	<u>3,905,162</u>	<u>3,375,262</u>	<u>6,748,912</u>	<u>37,597,812</u>	<u>5,048,129</u>
Noncurrent assets:						
Restricted cash and cash equivalents	-	15,326	-	-	15,326	-
Restricted investments	8,009,894	875,000	281,177	-	9,166,071	-
Capital assets:						
Land	2,105,394	1,890,618	1,041,962	116,340	5,154,314	-
Construction in progress	19,747,394	592,536	15,734,269	2,988,039	39,062,238	-
Depreciable capital assets	209,885,318	40,524,132	52,935,329	16,534,687	319,879,466	-
Less accumulated depreciation	(104,960,885)	(18,168,771)	(26,943,031)	(11,285,320)	(161,358,007)	-
Net capital assets	<u>126,777,221</u>	<u>24,838,515</u>	<u>42,768,529</u>	<u>8,353,746</u>	<u>202,738,011</u>	<u>-</u>
Total noncurrent assets	<u>134,787,115</u>	<u>25,728,841</u>	<u>43,049,706</u>	<u>8,353,746</u>	<u>211,919,408</u>	<u>-</u>
Total assets	<u>158,355,591</u>	<u>29,634,003</u>	<u>46,424,968</u>	<u>15,102,658</u>	<u>249,517,220</u>	<u>5,048,129</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on bond refundings	106,635	22,331	14,628	-	143,594	-
Total deferred outflows of resources	<u>106,635</u>	<u>22,331</u>	<u>14,628</u>	<u>-</u>	<u>143,594</u>	<u>-</u>
LIABILITIES						
Current liabilities:						
Accounts payable	3,090,000	143,359	2,649,350	816,277	6,698,986	58,589
Due to other funds	130,449	44,359	2,746,030	21,998	2,942,836	-
Accrued payroll	450,047	23,737	52,374	48,001	574,159	-
Compensated absences - short term	870,000	18,764	40,000	140,000	1,068,764	-
Sales tax payable	290,754	16	-	130	290,900	-
Accrued interest payable	539,758	29,032	6,115	-	574,905	-
Advances for construction	-	-	3,739,791	-	3,739,791	-
Unearned revenue	206,412	-	-	-	206,412	-
Customer deposits	644,820	1,031	-	-	645,851	-
Claims liability	8,064	-	-	-	8,064	386,247
Current portion of						
long-term obligations	2,604,830	700,292	349,878	-	3,655,000	-
Total current liabilities	<u>8,835,134</u>	<u>960,590</u>	<u>9,583,538</u>	<u>1,026,406</u>	<u>20,405,668</u>	<u>444,836</u>
Noncurrent liabilities:						
Fly ash liability	174,505	-	-	-	174,505	-
Compensated absences - long term	232,309	13,496	82,366	104,606	432,777	-
Noncurrent portion of						
long-term obligations	53,151,956	4,502,109	1,180,070	-	58,834,135	-
Total noncurrent liabilities	<u>53,558,770</u>	<u>4,515,605</u>	<u>1,262,436</u>	<u>104,606</u>	<u>59,441,417</u>	<u>-</u>
Total liabilities	<u>62,393,904</u>	<u>5,476,195</u>	<u>10,845,974</u>	<u>1,131,012</u>	<u>79,847,085</u>	<u>444,836</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred gain on bond refundings	292	294	165	-	751	-
Total deferred inflows of resources	<u>292</u>	<u>294</u>	<u>165</u>	<u>-</u>	<u>751</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	70,100,343	19,606,780	34,942,813	8,180,618	132,830,554	-
Restricted for:						
Debt service	7,184,399	890,326	281,177	-	8,355,902	-
Fly ash disposal	825,495	-	-	-	825,495	-
Unrestricted	17,957,793	3,682,739	369,467	5,791,028	27,801,027	4,603,293
Total net position	<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>

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, 2018

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
Operating revenues:						
Charges for services	\$ 42,730,732	\$ 3,771,198	\$ 5,721,006	\$ 14,192,398	\$ 66,415,334	\$ 5,657,919
Contributions from other funds	-	-	-	-	-	1,602,269
Other revenue	256,261	46,334	107,364	2,941	412,900	-
Total operating revenues	<u>42,986,993</u>	<u>3,817,532</u>	<u>5,828,370</u>	<u>14,195,339</u>	<u>66,828,234</u>	<u>7,260,188</u>
Operating expenses:						
Cost of power/gas	4,427,228	-	-	9,901,376	14,328,604	-
Production	18,759,905	733,012	1,893,012	-	21,385,929	-
Distribution	2,739,376	662,533	564,002	1,499,316	5,465,227	-
Customer accounting and collections	1,814,598	601,902	618,111	1,186,996	4,221,607	-
Administrative and general	1,599	974	377	-	2,950	3,180
Employee insurance	-	-	-	-	-	5,541,200
Workers' compensation	-	-	-	-	-	493,917
Depreciation	5,250,300	989,545	1,503,561	440,859	8,184,265	-
Total operating expenses	<u>32,993,006</u>	<u>2,987,966</u>	<u>4,579,063</u>	<u>13,028,547</u>	<u>53,588,582</u>	<u>6,038,297</u>
Operating income	<u>9,993,987</u>	<u>829,566</u>	<u>1,249,307</u>	<u>1,166,792</u>	<u>13,239,652</u>	<u>1,221,891</u>
Nonoperating revenues (expenses):						
Interest income	268,459	24,470	96,190	70,506	459,625	31,482
Interest expense	(1,987,039)	(127,783)	(31,687)	-	(2,146,509)	-
Gain (loss) on sale of assets	(101,826)	825	29,548	(18,764)	(90,217)	-
Grant revenue	311,226	-	486,740	-	797,966	-
Total nonoperating revenues (expenses)	<u>(1,509,180)</u>	<u>(102,488)</u>	<u>580,791</u>	<u>51,742</u>	<u>(979,135)</u>	<u>31,482</u>
Income (loss) before net contributed capital and interfund transfers	<u>8,484,807</u>	<u>727,078</u>	<u>1,830,098</u>	<u>1,218,534</u>	<u>12,260,517</u>	<u>1,253,373</u>
Contributed capital (CC)	646,992	372,301	2,278,152	287,766	3,585,211	-
Cost recovered through CC	(646,992)	(372,301)	(2,278,152)	(287,766)	(3,585,211)	-
Transfer from other funds	37,848	80,819	64,775	-	183,442	-
Transfer to other funds	(2,290,615)	(210,156)	(336,732)	(276,783)	(3,114,286)	-
Net CC and transfers	<u>(2,252,767)</u>	<u>(129,337)</u>	<u>(271,957)</u>	<u>(276,783)</u>	<u>(2,930,844)</u>	<u>-</u>
Change in net position	<u>6,232,040</u>	<u>597,741</u>	<u>1,558,141</u>	<u>941,751</u>	<u>9,329,673</u>	<u>1,253,373</u>
Net position - September 30, 2017	<u>89,835,990</u>	<u>23,582,104</u>	<u>34,035,316</u>	<u>13,029,895</u>	<u>160,483,305</u>	<u>3,349,920</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>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 42,052,324	\$ 3,881,644	\$ 5,833,145	\$ 14,224,943	\$ 65,992,056	\$ 5,671,215
Receipts from other funds	-	-	-	-	-	1,602,269
Payments to suppliers	(14,752,518)	(1,284,215)	(1,760,022)	(11,422,307)	(29,219,062)	(6,171,588)
Payments to employees	(11,537,101)	(630,822)	(1,281,825)	(1,168,822)	(14,618,570)	-
Net cash provided by operating activities	<u>15,762,705</u>	<u>1,966,607</u>	<u>2,791,298</u>	<u>1,633,814</u>	<u>22,154,424</u>	<u>1,101,896</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers from other funds	37,848	80,819	64,775	-	183,442	-
Transfers to other funds	(2,290,615)	(210,156)	(336,732)	(276,783)	(3,114,286)	-
Interfund loans	(1,274,729)	38,057	2,743,839	(994,185)	512,982	22,452
Net cash provided (used) by noncapital financing activities	<u>(3,527,496)</u>	<u>(91,280)</u>	<u>2,471,882</u>	<u>(1,270,968)</u>	<u>(2,417,862)</u>	<u>22,452</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Purchase of property and equipment	(13,430,912)	(1,123,344)	(15,266,679)	(3,560,282)	(33,381,217)	-
Proceeds from sale of property and equip.	5,544	825	29,548	900	36,817	-
Proceeds from capital grant	26,565	-	486,740	-	513,305	-
Principal payments on capital debt	(2,554,898)	(549,655)	(265,447)	-	(3,370,000)	-
Interest paid on capital debt	(2,107,430)	(130,616)	(25,851)	-	(2,263,897)	-
Increase in fly ash liability	45,818	-	-	-	45,818	-
Net cash used by capital and related financing activities	<u>(18,015,313)</u>	<u>(1,802,790)</u>	<u>(15,041,689)</u>	<u>(3,559,382)</u>	<u>(38,419,174)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Decrease in investments	2,250,000	-	8,350,000	2,750,000	13,350,000	-
Interest received on investments	270,634	19,854	140,277	80,243	511,008	29,453
Net cash provided by investing activities	<u>2,520,634</u>	<u>19,854</u>	<u>8,490,277</u>	<u>2,830,243</u>	<u>13,861,008</u>	<u>29,453</u>
Increase (decrease) in cash and cash equivalents	(3,259,470)	92,391	(1,288,232)	(366,293)	(4,821,604)	1,153,801
Cash and cash equivalents - beginning of the year	<u>5,673,867</u>	<u>2,917,453</u>	<u>1,288,232</u>	<u>1,876,987</u>	<u>11,756,539</u>	<u>2,139,289</u>
Cash and cash equivalents - end 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>
Composition of cash and cash equivalents:						
Cash and cash equivalents	\$ 2,414,397	\$ 2,994,518	\$ -	\$ 1,510,694	\$ 6,919,609	\$ 3,293,090
Restricted cash and cash equivalents	-	15,326	-	-	15,326	-
Total cash and cash equivalents	<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>

See notes to financial statements

CITY OF FREMONT, NEBRASKA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	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	\$ 9,993,987	\$ 829,566	\$ 1,249,307	\$ 1,166,792	\$ 13,239,652	\$ 1,221,891
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation expense	5,250,300	989,545	1,503,561	440,859	8,184,265	-
Change in assets and liabilities:						
Accounts receivable and unbilled revenue	(1,013,702)	64,112	4,775	29,604	(915,211)	13,296
Inventories	478,000	65,744	43,762	46,740	634,246	-
Prepaid expenses	(19,464)	(3,805)	(3,805)	(9,160)	(36,234)	-
Accounts payable	850,003	38,630	(30,902)	(51,819)	805,912	58,589
Accrued payroll	5,660	14,404	3,910	(1,042)	22,932	-
Accrued compensated absences	78,395	(31,460)	20,690	11,727	79,352	-
Other accrued expenses	60,493	(129)	-	113	60,477	-
Unearned revenue	33,794	-	-	-	33,794	-
Customer deposits	44,097	-	-	-	44,097	-
Claims liability	1,142	-	-	-	1,142	(191,880)
Net cash provided by operating activities	<u>\$ 15,762,705</u>	<u>\$ 1,966,607</u>	<u>\$ 2,791,298</u>	<u>\$ 1,633,814</u>	<u>\$ 22,154,424</u>	<u>\$ 1,101,896</u>
Supplemental Cash Flows Information						
Payables incurred for acquisition of capital assets	\$ 1,026,435	\$ 66,697	\$ 2,570,440	\$ 173,128	\$ 3,836,700	\$ -

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, 2018

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, 2018

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, 2018

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:

<i>Major:</i>	<u>Fund</u>	<u>Brief Description</u>
Governmental:		
General		See above for description.
Street		The Street Fund is a Special Revenue Fund that accounts for the City's share of highway allocation from the State of Nebraska.
Sales Tax		The Sales Tax Fund is a Special Revenue Fund that accounts for local sales tax collected.
Proprietary:		
Enterprise:		
Electric, Water, Sewer, and Gas		See above for description.
Internal Service:		
Insurance		Accounts for the workers' compensation, and health insurance, and other programs for all governmental-fund-type City operations.
<i>Non-major:</i>		
Governmental:		
Debt Service		See above for description.
Capital Projects		See above for description.
Special Revenue:		
Paving and Sidewalk Districts		Accounts for the collection of special assessments on various paving and sidewalk districts.
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, 2018

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 are available if they are collected within 60 days of the end of the fiscal period. Property taxes, sales taxes, occupation taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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 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 on 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, 2018

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	\$ 16,585	Interlocal reimbursement/ In lieu of tax and Library commission payments
Sales tax	1,332,457	Sales Tax
Debt service	180	In lieu of tax
CDBG	32,801	Grant reimbursement
Weatherization EDA (HUD)	7,286	Grant reimbursement
Enhanced 911	<u>165,515</u>	Interlocal reimbursement
Governmental Total	<u>\$1,554,824</u>	
Electric	<u>\$ 427,068</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, 2018:

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
Coal	\$ 2,204,645	\$ -	\$ -	\$ -	\$ 2,204,645
Natural Gas	-	-	-	779,292	779,292
Production Supplies	2,733,148	279,871	124,089	109,892	3,247,000
Distribution Supplies	1,800,044	-	-	424,827	2,224,871
Other	348,392	-	-	-	348,392
	<u>\$ 7,086,229</u>	<u>\$ 279,871</u>	<u>\$ 124,089</u>	<u>\$ 1,314,011</u>	<u>\$ 8,804,200</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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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, 2018

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 two items that qualify for reporting in this category: (1) Unavailable revenue received after the availability period. This includes property taxes plus other local taxes and fees received after 60 days. They are reported as deferred inflows on the governmental funds balance sheet and will be recognized as revenue next year. (2) 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 and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the life of the respective bonds. The long-term debt consists primarily of bonds payable and a fly ash liability.

Fund Financial Statements

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

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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 invested in capital assets."

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

Fund Balance Flow Assumption

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

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

Restricted – Amounts that can be spent only for specific purposes 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, 2018

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 2017-2018 are recorded as revenue when expected to be collected within 60 days after September 30, 2018. 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, 2018

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 funds – 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 \$143,884 was covered by collateral held by the County.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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, 2018

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, 2018, 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	\$ 32,421,689
Restricted	15,326
Investments –	
Unrestricted	40,266,324
Restricted	<u>9,166,071</u>
Total	<u>\$81,869,410</u>

Investments and cash equivalents consist of the following:

Certificates of deposit	\$49,432,395
Deposit accounts and cash on hand	25,553,975
External investment pool	<u>6,883,040</u>
Total	<u>\$81,869,410</u>

The majority of the business-type restricted assets, \$8,355,902, relates to debt service reserves required by bond agreements. The remaining \$825,495 restricted investment is restricted to cover fly ash closure costs.

2. Accounts Receivable

Accounts receivable of the business-type activities consists of utilities receivables. Accounts receivable of the governmental activities consist of ambulance (58.9 percent), waste transfer station (12.1 percent), cable franchise tax (11.0 percent), fees assessed (13.7 percent) and keno proceeds (4.3 percent). Receivables detailed at September 30, 2018, are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Accounts receivable	\$ 652,072	\$ 4,027,189	\$ 4,679,261
Allowance for doubtful accounts	<u>(161,060)</u>	<u>(378,071)</u>	<u>(539,131)</u>
Net accounts receivable	<u>\$ 491,012</u>	<u>\$ 3,649,118</u>	<u>\$ 4,140,130</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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

3. Notes Receivable

Notes receivable at September 30, 2018, consist of the following:

Company	Loan Amount	Date Issued	Interest	Type	Balance
<u>CDBG Fund:</u>					
Southwark Metal	\$ 250,000	6/23/2004	0%	Repayable	\$ 16,666
<u>Sales Tax Fund (LB840):</u>					
Southwark Metal	50,000	6/23/2004	0%	Repayable	3,334
Sycamore Leaf Solutions	100,000	6/19/2015	0%	Performance Based	100,000
Structural Component Systems	200,000	5/13/2015	0%	Repayable	86,667
Structural Component Systems	400,000	5/13/2015	0%	Performance Based	160,000
Fremont Beef Company	300,000	5/13/2014	0%	Performance Based	120,000
Heartland Area Accessories	150,000	10/17/2016	0%	Performance Based	120,000
Pearl Academy	35,560	9/6/2018	2%	Repayable	34,937
Pearl Academy	35,561	9/6/2018	0%	Performance Based	35,560
Legacy Post & Beam	60,000	6/12/2018	0%	Performance Based	60,000
Total Sales Tax Fund					720,498
<u>Weatherization EDA (HUD) Fund:</u>					
Interest bearing notes	190,999	Various	1-5%	Repayable	172,269
Non-interest bearing notes	1,186,698	Various	0%	Forgivable	672,734
					845,003
<u>Downtown Revitalization Loans (included in Weatherization Fund):</u>					
Non-interest bearing notes	620,978	Various	0%	Forgivable	307,339
Total Weatherization Fund					1,152,342
<u>Economic Enhancement Fund:</u>					
Fremont Beef	300,000	5/13/2014	0%	Performance Based	120,000
Total Notes Receivable					\$ 2,009,506

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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

4. Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance at October 1, 2017	Additions	Disposals	Transfers	Balance at September 30, 2018
<u>Governmental Activities:</u>					
Capital assets not being depreciated:					
Land	\$ 7,752,451	\$ -	\$(107,343)	\$ -	\$ 7,645,108
Construction in progress	7,734,896	2,192,238	-	(932,071)	8,995,063
Total capital assets not being depreciated	<u>15,487,347</u>	<u>2,192,238</u>	<u>(107,343)</u>	<u>(932,071)</u>	<u>16,640,171</u>
Other capital assets being depreciated:					
Infrastructure	38,751,108	1,725,614	(31,490)	810,391	41,255,623
Buildings and improvements	16,766,987	51,135	-	-	16,818,122
Machinery and equipment	11,772,283	757,170	(175,244)	121,680	12,475,889
Total other capital assets at historical cost	<u>67,290,378</u>	<u>2,533,919</u>	<u>(206,734)</u>	<u>932,071</u>	<u>70,549,634</u>
Less accumulated depreciation for:					
Infrastructure	(11,913,375)	(1,044,325)	26,767	-	(12,930,933)
Buildings and improvements	(8,357,519)	(420,075)	-	-	(8,777,594)
Machinery and equipment	(6,653,933)	(883,666)	175,244	-	(7,362,355)
Total accumulated depreciation	<u>(26,924,827)</u>	<u>(2,348,066) *</u>	<u>202,011</u>	<u>-</u>	<u>(29,070,882)</u>
Other capital assets, net	<u>40,365,551</u>	<u>185,853</u>	<u>(4,723)</u>	<u>932,071</u>	<u>41,478,752</u>
Governmental activities capital assets, net	<u>\$ 55,852,898</u>	<u>\$ 2,378,091</u>	<u>\$(112,066)</u>	<u>\$ -</u>	<u>\$ 58,118,923</u>

* Depreciation expense was incurred by the following governmental activities:

General Fund

General government \$ 96,090

Public safety:

Police 219,883

Fire 222,603

E911 86,690

Civil Service 740

Total public safety \$ 529,916

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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

4. Capital Assets, Continued

General Fund, Continued

Public works:

Civil Engineering	\$ 118,183
Streets	<u>975,156</u>
Total public works	<u>1,093,339</u>

Environment and leisure:

Culture and recreation	463,864
Airport	<u>164,857</u>
Total environment and leisure	<u>628,721</u>

Total governmental activities depreciation expense	<u>\$ 2,348,066</u>
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CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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

4. Capital Assets, Continued

	Balance at October 1, 2017	Additions	Disposals	Balance at September 30, 2018
<u>Business-type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 4,256,155	\$ 898,159	\$ -	\$ 5,154,314
Construction in progress	14,650,505	24,411,733	-	39,062,238
Total capital assets not being depreciated	<u>18,906,660</u>	<u>25,309,892</u>	<u>-</u>	<u>44,216,552</u>
Other capital assets being depreciated:				
Distribution systems, buildings, and equipment	288,832,967	4,886,368	(78,842)	293,640,493
Machinery and equipment	16,820,685	1,554,804	(631,389)	17,744,100
Office furniture and equipment	2,527,036	78,562	-	2,605,598
Vehicles	5,439,380	717,218	(267,323)	5,889,275
Total other capital assets at historical cost	<u>313,620,068</u>	<u>7,236,952</u>	<u>(977,554)</u>	<u>319,879,466</u>
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(135,576,969)	(7,096,472)	56,493	(142,616,948)
Machinery and equipment	(12,791,839)	(684,425)	534,022	(12,942,242)
Office furniture and equipment	(2,081,325)	(149,042)	-	(2,230,367)
Vehicles	(3,581,445)	(254,326)	267,321	(3,568,450)
Total accumulated depreciation	<u>(154,031,578)</u>	<u>(8,184,265) *</u>	<u>857,836</u>	<u>(161,358,007)</u>
Other capital assets, net	<u>159,588,490</u>	<u>(947,313)</u>	<u>(119,718)</u>	<u>158,521,459</u>
Business-type activities capital assets, net	<u>\$ 178,495,150</u>	<u>\$ 24,362,579</u>	<u>\$ (119,718)</u>	<u>\$ 202,738,011</u>

* Depreciation expense was charged to functions as follows:

Electric	\$ 5,250,300
Water	989,545
Sewer	1,503,561
Gas	<u>440,859</u>
Business-type activities depreciation expense	<u>\$ 8,184,265</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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, 2018:

	Balance at October 1, 2017	Additions	Deductions	Balance at September 30, 2018	Amounts Due Within One Year
Governmental Activities:					
Compensated absences	\$ 1,280,359	\$ 902,949	\$ (897,425)	\$ 1,285,883	\$ 800,000
Bonds payable	2,792,250	-	(307,250)	2,485,000	300,000
Lease payable	1,356,353	-	(209,900)	1,146,453	216,113
Total	\$ 5,428,962	\$ 902,949	\$ (1,414,575)	\$ 4,917,336	\$ 1,316,113
Business-type Activities:					
Compensated absences	\$ 1,407,928	\$ 954,815	\$ (861,202)	\$ 1,501,541	\$ 1,068,764
Unamortized bond premium	1,834,370	-	(129,702)	1,704,668	-
Unamortized bond discount	(43,328)	-	2,795	(40,533)	-
Fly ash liability	128,687	45,818	-	174,505	-
Bonds and notes payable	64,195,000	-	(3,370,000)	60,825,000	3,655,000
Total	\$ 67,522,657	\$ 1,000,633	\$ (4,358,109)	\$ 64,165,181	\$ 4,723,764

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2018 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 300,000	\$ 42,715	\$ 3,655,000	\$ 2,208,807
2020	305,000	39,115	3,755,000	2,142,775
2021	320,000	35,150	3,545,000	2,055,795
2022	330,000	30,510	3,645,000	1,960,523
2023	340,000	25,230	3,700,000	1,859,588
2024-2028	890,000	36,120	18,290,000	7,424,465
2029-2033	-	-	19,745,000	3,694,250
2034-2038	-	-	4,490,000	197,188
	\$ 2,485,000	\$ 208,840	\$ 60,825,000	\$ 21,543,391

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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 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, 2018:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>
2019	\$ 250,048
2020	250,048
2021	250,048
2022	250,048
2023	250,045
Total minimum lease payments	1,250,237
Less amount representing interest	103,784
Total principal obligation under capital lease (rate of interest 2.96%)	<u>\$ 1,146,453</u>

As of September 30, 2018, 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 Bond for swimming pool	08/01/2017	08/01/2026	08/01/2022	1.10 – 2.30%	\$ 2,485,000
Capital lease obligation	11/01/2016	11/01/2023	N/A	2.9%	<u>1,146,453</u>
Total Governmental Activities					<u>\$ 3,631,453</u>
Business-type Activities:					
Combined Utilities revenue refunding bonds Series 2016	09/01/2016	09/01/2024	09/01/2021	0.85 – 1.80%	\$ 1,765,000
Combined Utilities revenue bonds Series 2015	05/15/2015	08/15/2023	05/05/2020	0.25 – 2.15%	2,675,000
Combined Utilities revenue refunding bonds Series 2014A	06/03/2014	09/01/2028	06/03/2019	0.03 – 3.40%	1,750,000

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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%	\$31,615,000
Combined Utilities revenue bonds Series 2013	08/30/2013	07/15/2033	08/30/2018	0.30 – 4.50%	7,570,000
Combined Utilities revenue refunding bonds Series 2012	03/06/2012	10/15/2026	03/06/2022	0.35 – 4.00%	<u>15,450,000</u>
Total Business-type Activities					<u>\$60,825,000</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, 2018, the City had incurred a liability of \$174,505 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, 2018 were \$246,519.

The City purchased the bonds related to the South Broad Street, LLC project. The outstanding bonds are recorded as a TIF note 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, 2018

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

9. Interfund Transactions and Balances

At September 30, 2018 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	\$ 145,402
Payment for service provided	Electric	General	30,831
Payment for service provided	Water	General	4,438
Payment for service provided	Sewer	General	1,242
Payment for service provided	Gas	General	631
Capital expenditures	General	Sales Tax	70,555
Capital expenditures	Street	Sales Tax	261,319
Capital expenditures	Special Projects	Sales Tax	98,067
Reimburse shared expenses and payment for service provided	Electric	Street	4,760
Payment for service provided	Water	Street	670
Payment for service provided	Sewer	Street	13
Payment for service provided	Gas	Street	49
South Broad Street TIF	General	Community Development Agency	312,599
Service cash flow needs	General	Debt Service	28,000
South Hangar complex reimbursement	Sales Tax	Airport	128,698
Payment for service provided	Electric	Airport	883
Payment for service provided	Gas	Airport	24
Service cash flow needs	General	CBBG	79,000
Reimburse expense	CDBG	Weatherization	479
Service cash flow needs	General	E911	201,085
Reimburse Shared Services	General	Electric	104,715
Reimburse Shared Services	General	Water	10,906
Reimburse Shared Services	General	Sewer	10,906
Reimburse Shared Services	General	Gas	21,813
Reimburse cash receipt	Paving & Sidewalk District	Sewer	3,999
Reimburse payment for service provided	Street	Water	3,281
Reimburse payment for service provided	Street	Gas	156
Payment for service provided	Electric	Electric	5,451
Payment for service provided	Electric	Water	30,172
Payment for service provided	Electric	Sewer	13,304
Payment for service provided	Electric	Gas	29
Payment for service provided	Water	Electric	3,327
Payment for service provided	Water	Sewer	18
Service cash flow needs	Electric	Sewer	1,717,803
Payment for service provided	Sewer	Electric	2,121
Payment for service provided	Gas	Electric	14,835
Service cash flow needs	Gas	Sewer	1,000,000

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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	\$ 3,772,499	\$ -
Keno	Property tax relief	600,000	-
Public use			
property special projects	Library books	3,000	-
Drug task force	City's share of multi-jurisdictional task force	12,166	-
Electric	Utility transfer in; expense reimbursement for IT purchases	2,240,615	(37,848)
Water	Utility transfer in	210,156	-
Sewer	Utility transfer in	336,732	-
Gas	Utility transfer in	226,783	-
Total General fund		<u>7,401,951</u>	<u>(37,848)</u>
Street fund:			
Sales tax	Various street improvement projects; drainage improvements: reimburse property insurance	1,347,793	-
Total Street fund		<u>1,347,793</u>	<u>-</u>
Sales tax fund:			
General	Property tax relief; operating transfers; capital projects	-	(3,772,499)
Street	Various street improvement projects; drainage improvements: reimburse property insurance	-	(1,347,793)
Special projects	Trail improvements	-	(98,067)
Water	Infrastructure debt service contribution	-	(80,819)
Sewer	Infrastructure debt service contribution	-	(64,775)
Total Sales tax fund		<u>-</u>	<u>(5,363,953)</u>
Non-major funds			
	Economic development – electric and gas to economic enhancement	100,000	-
	others see above	98,067	(615,166)
Total Non-major funds		<u>198,067</u>	<u>(615,166)</u>
Enterprise funds	See above	<u>183,442</u>	<u>(3,114,286)</u>
Total operating transfers		<u>\$ 9,131,253</u>	<u>\$ (9,131,253)</u>

10. Deficit Fund Balance

At September 30, 2018 the Community Development Agency Fund had a deficit balance of \$223,669. Some of the deficit will be offset by the unearned revenue as it is earned in future years. The Community Development Agency also has the right to levy taxes to eliminate a deficit; however, no decision to levy taxes has been made. At September 30, 2018, the CDBG Fund also has a deficit balance of \$1,586. The City anticipates to eliminate this deficit through future grant and program revenues.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

NOTE D – OTHER NOTES

1. Employee Pension and Other Benefit Plans

The City participates in four are 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 \$724,885 and \$862,052, respectively, as required by the plan for the fiscal year ended September 30, 2018. Forfeitures used to reduce employer contributions as allowed under the Plan were \$63,730. 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 \$183,828 and \$183,828, respectively, as required by the Plan for the fiscal year ended September 30, 2018. Forfeitures used to reduce employer contributions as allowed under the Plan were \$9,177. 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 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 \$115,152 and \$230,301, respectively, as required by the Plan for the fiscal year ended September 30, 2018. No forfeitures were used to reduce employer contributions as allowed under the Plan. 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, 2018

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 \$337,288 and the City contributed \$0 under the plan for the year ended September 30, 2018.

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 264 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 \$309,531. 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 \$76,716. This has been included as a current year expenditure. For all of the self-insured funds, an unreserved fund balance of \$4,603,293 was in the Internal Service Fund at September 30, 2018.

Claim Liability at 9/30/2017	\$ 578,128
Claims Incurred during current year	4,736,895
Claims Paid during current year	<u>(4,928,776)</u>
Claim Liability at 9/30/2018	<u>\$ 386,247</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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, 2018, the City's investments consisted of certificates of deposit at the following institutions:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank, Fremont	\$ 15,525,000 *
First National Bank, Fremont	15,975,000 *
Nebraska Land National Bank	2,000,000
First State Bank	2,000,000
Cornerstone Bank, Columbus	11,332,395 *
Nebraska Public Agency Investment Trust	2,600,000 *
Totals	<u>\$ 49,432,395</u>

* Represent more than five percent of total investments

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City's investments had no exposure to foreign currency risk and the City held no investments denominated in foreign currency at September 30, 2018.

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, 2018 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 2018	\$ 6,375,000
November 2018	500,000
December 2018	3,350,000
January 2019	2,050,000
March 2019	13,350,000
April 2019	1,600,000
May 2019	1,000,000
June 2019	2,951,395
August 2019	6,375,000
September 2019	5,831,000
Due in more than 12 months	6,050,000
	<u>\$ 49,432,395</u>

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

NOTE D – OTHER NOTES, Continued

2. Risk Management, Continued

Deposits and Investments, Continued

Credit Risk. Credit risk is the risk that the bank or other counterparty will not fulfill its obligations. The City's cash equivalents and investments consist of certificates of deposit and money market funds, minimizing credit risk associated with the City's investment portfolio.

3. Commitments and Contingencies

Construction

The City is a party to numerous contracts relating to construction and other capital addition projects. The City intends to fund the construction through operations or long-term financing.

<u>Project</u>	<u>Contract Amount</u>	<u>Paid Through 9/30/2018</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
<u>Governmental:</u>				
Westside BNSF Viaduct	\$ 1,016,852	\$ 946,655	\$ 70,197	September 30, 2020
Pierce St Recons, Linden-Military	23,590	2,700	20,890	September 30, 2020
Park Ave, 2nd-Military	74,956	74,334	622	November 30, 2018
Luther Road Widening, Military-23rd	95,900	76,161	19,739	September 30, 2022
1st Street, Bell-Luther	78,500	72,630	5,870	September 30, 2022
32nd St Paving Improvements	82,330	76,910	5,420	September 30, 2020
Rawhide Creek Trail	228,241	35,669	192,571	September 30, 2020
Pedestrian Signal Replacements	289,687	85,387	204,300	September 30, 2019
Ronin Park Shelter	44,020	-	44,020	April 30, 2019
Records Management CAD System	378,855	189,427	189,429	September 30, 2019
Johnson Road South Paving	63,370	29,450	33,920	September 30, 2019
2018 Pavement Rehab	264,998	187,951	77,047	October 31, 2019
2018 Braun Ambulance	311,044	-	311,044	January 31, 2019
Military, Bell-Clarmar Asphalt Overlay	242,740	-	242,741	September 30, 2019
<u>Enterprise Funds:</u>				
69kV Joint Transmission Line	19,507,091	14,748,158	4,758,932	April 30, 2019
Substation B Upgrade	4,136,785	880,917	3,255,868	April 30, 2019
Utility Extensions for Costco Plant Site	1,155,935	922,697	233,238	October 31, 2018
WWTP Upgrade	32,035,985	14,310,386	17,725,599	November 30, 2019
SCADA control system	2,253,883	99,470	2,154,413	September 30, 2020
Roadway Subdivision Water Main	29,000	14,473	14,527	October 31, 2019
North Gas Main Extension Project	170,518	48,281	122,237	July 31, 2019
Substation Fiber Ring	636,053	573,857	62,196	April 30, 2019
Unit 8 Turbine Controls Replacement	206,000	176,105	29,895	November 30, 2018
Unit 7 Baghouse Replacement	107,933	6,196	101,737	November 30, 2018
Gas TBS 1A Odorizer Replacement	110,250	-	110,250	January 31, 2019
US Hwy 77/275 Broad St W/S Extensions	106,965	-	106,965	October 31, 2018
Gallery 23 Gas Main	351,800	168,042	183,758	May 31, 2019
Freightliner/Serco Loader Truck	166,315	-	166,315	September 30, 2019
Altec Digger Derrick Truck	278,960	-	278,960	September 30, 2019
Altec Articulating Aerial Device	157,443	-	157,443	September 30, 2019
Catepillar 972M Loader	380,005	-	380,005	October 31, 2018
Onan Generators	59,960	-	59,960	December 31, 2018
	<u>\$ 65,045,964</u>	<u>\$ 33,725,856</u>	<u>\$ 31,320,108</u>	

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

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, 2018 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 October 12, 2017, the Electric Department entered into an agreement with Cloud Peak Energy Resources, LLC., effective January 1, 2018 through December 31, 2018. Under the terms of the agreement, the City must purchase 175,000 tons of coal at an agreed-upon base price per ton, which will be adjusted each month for any variation in the Base Btu. As of September 30, 2018, the City had purchased 145,000 of the tons required under this contract.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

NOTE D – OTHER NOTES, CONTINUED

3. Commitments and Contingencies, Continued

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.

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 period, beginning January 1, 2019 through December 31, 2019, and each twelve month period thereafter.

In the prior year, 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 23 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 reset 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.

CITY OF FREMONT, NEBRASKA
Notes to Financial Statements
September 30, 2018

NOTE D – OTHER NOTES, CONTINUED

4. Major Customers

The City has one customer that was billed \$3,722,901 for electricity, \$2,096,013 for gas, and \$2,168,926 for sewer for the year ended September 30, 2018. This represents 10.1 percent of total electric billings, 16.0 percent of total gas billings, and 38.0 percent of total sewer billings, respectively, for the year ended September 30, 2018. (The billings represent 13.7 percent of total City utility billings.) In addition, one additional customer was billed \$1,695,185 for gas or 13.0 percent of total gas billings. These customers maintain a current status on monthly billings.

5. EPA Emissions Allowances

As of September 30, 2018, the City had 14,831 SO₂ Emissions Allowances related to the Lon D. Wright Power Plant. The EPA has granted these allowances, which can be used to offset plant emissions. The allowances can be bought and sold. Changes to federal regulation on SO₂ emissions that would eliminate the existing credits resulted in a less than one-dollar market value for the credits available at year-end.

The Cross-State Air Pollution Rule (CSAPR) is intended to reduce overall nitrous oxides (NO_x) and sulfur dioxide (SO₂) emissions on a regional basis. Under CSAPR, facilities must provide allowances for each ton of NO_x and SO₂. The City had 2,847 Cross State Rule Group 2 SO₂ emissions worth \$3.25 per allowance and 573 Cross State Rule NO_x annual allowances with a value of \$2.75 per allowance at September 30, 2018.

6. 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, 2017 – September 30, 2019.

7. Subsequent Events

The City entered into a financing arrangement with the State of Nebraska to construct a beltway joining US Highways 276 and 77 to the south east of the City. The City's contribution to the estimated \$40 million project is capped at \$20 million, which will be funded by a combination of Highway Allocation bonds and Street fund reserves. The first payment of \$6.67 million was remitted in December 2018.

The City issued Combined Utilities Revenue Bonds dated December 11, 2018 in the amount of \$40 million. Proceeds were used to pay for improvements at the wastewater treatment plant, an addition of anaerobic lagoons, and a new transmission line with Omaha Public Power District.

In March 2019, the City sustained flood damage to several buildings and roads in the southwest section of the City along the Platte River. The costs for damage repair and remediation for City properties is still underway. The City, State and Federal governments have made the necessary declarations of emergency to provide Federal Emergency Management Agency (FEMA) and Nebraska Emergency Management Agency (NEMA) cost reimbursements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Taxes:			
Property	\$ 5,479,086	\$ 5,531,796	\$ 52,710
Payments in lieu of taxes	9,000	11,017	2,017
Franchise	250,000	207,939	(42,061)
Business	1,615,000	1,637,009	22,009
Intergovernmental	1,552,364	1,141,262	(411,102)
Charges for services	2,803,650	2,776,086	(27,564)
Donations	613,000	65,388	(547,612)
Interest income	70,000	79,392	9,392
Other	2,000	60,110	58,110
	<u>12,394,100</u>	<u>11,509,999</u>	<u>(884,101)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	5,818,019	5,014,074	(803,945)
Public safety	10,025,212	8,804,575	(1,220,637)
Public works	534,177	432,330	(101,847)
Environment and leisure	5,152,649	3,427,801	(1,724,848)
Employee insurance	281,648	305,585	23,937
	<u>21,811,705</u>	<u>17,984,365</u>	<u>(3,827,340)</u>
Resources over (under) charges to appropriations	<u>(9,417,605)</u>	<u>(6,474,366)</u>	<u>2,943,239</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	8,145,126	7,255,274	(889,852)
Transfers out	<u>(306,170)</u>	<u>(37,848)</u>	<u>268,322</u>
Net transfers	<u>7,838,956</u>	<u>7,217,426</u>	<u>(621,530)</u>
RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS	<u>\$ (1,578,649)</u>	<u>\$ 743,060</u>	<u>\$ 2,321,709</u>

CITY OF FREMONT, NEBRASKA

**BUDGETARY COMPARISON SCHEDULE -
STREET FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget (Original and Final)	Actual	Variances - Actual Over (Under) Final Budget
RESOURCES (INFLOWS)			
Motor vehicle tax	\$ 500,000	\$ 560,041	\$ 60,041
Intergovernmental	3,012,500	3,488,380	475,880
Charges for services	35,000	47,340	12,340
Interest income	32,000	52,279	20,279
Other income	-	7,091	7,091
	<hr/>	<hr/>	<hr/>
Total resources	3,579,500	4,155,131	575,631
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
Public works	12,085,328	4,153,831	(7,931,497)
	<hr/>	<hr/>	<hr/>
Resources over (under) charges to appropriations	(8,505,828)	1,300	8,507,128
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES			
Transfers in	8,909,971	1,249,329	(7,660,642)
Transfers out	-	-	-
Net transfers	8,909,971	1,249,329	(7,660,642)
	<hr/>	<hr/>	<hr/>
RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS	\$ 404,143	\$ 1,250,629	\$ 846,486
	<hr/>	<hr/>	<hr/>

CITY OF FREMONT, NEBRASKA
BUDGETARY COMPARISON SCHEDULE -
SALES TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budget (Original and <u>Final</u>)	<u>Actual</u>	Variances - Actual Over (Under) Final <u>Budget</u>
RESOURCES (INFLOWS)			
Sales tax	\$ 6,807,000	\$ 7,057,357	\$ 250,357
Charges for services	-	39,435	39,435
Interest income	34,750	216,627	181,877
Other income	2,900,000	142,398	(2,757,602)
Loan repayment proceeds	-	79,502	79,502
	<u>9,741,750</u>	<u>7,535,319</u>	<u>(2,206,431)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS)			
General government	<u>2,000,000</u>	<u>647,269</u>	<u>(1,352,731)</u>
Resources over (under) charges to appropriations	7,741,750	6,888,050	(853,700)
OTHER FINANCING USES			
Transfers out	<u>(13,115,831)</u>	<u>(5,633,141)</u>	<u>7,482,690</u>
RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES	<u>\$ (5,374,081)</u>	<u>\$ 1,254,909</u>	<u>\$ 6,628,990</u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018, which discloses the nature and amount of the adjustments necessary to convert the modified accrual data to the budgetary basis, is presented below:

	General <u>Fund</u>	Street <u>Fund</u>	Sales Tax <u>Fund</u>
Sources/inflows of resources:			
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 11,509,999	\$ 4,155,131	\$ 7,535,319
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>66,750</u>	<u>14,768</u>	<u>111,866</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 11,576,749</u>	<u>\$ 4,169,899</u>	<u>\$ 7,647,185</u>
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 17,984,365	\$ 4,153,831	\$ 647,269
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>(2,750)</u>	<u>-</u>	<u>41,323</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 17,981,615</u>	<u>\$ 4,153,831</u>	<u>\$ 688,592</u>
Other financing uses:			
Actual amounts (budgetary basis) "net transfers" from the budgetary comparison schedules	\$ 7,217,426	\$ 1,249,329	\$ (5,633,141)
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>146,677</u>	<u>98,464</u>	<u>269,188</u>
Net transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,364,103</u>	<u>\$ 1,347,793</u>	<u>\$ (5,363,953)</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF FREMONT, NEBRASKA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	Special Revenue Funds						
	Debt	Paving &	Business	Public Use	Keno	CDBG	Weatherization
	<u>Service</u>	<u>Districts</u>	<u>District #1</u>	<u>Projects</u>	<u>Fund</u>	<u>Fund</u>	<u>EDA (HUD)</u>
ASSETS							
Cash and cash equivalents	\$ 115,071	\$ 251,128	\$ 40,311	\$ 16,168	\$ 179,846	\$ 38,221	\$ 14,670
Investments	-	1,500,367	-	160,000	300,000	-	-
County treasurer cash	5,873	-	-	-	-	-	-
Receivables:							
Special assessments	-	276,020	3,569	-	-	-	-
Accounts, net of allowance for doubtful accounts	-	-	-	-	28,258	-	-
Notes, net of allowance for doubtful accounts	-	-	-	-	-	16,666	1,152,342
Interest	-	37,009	-	2,501	3,783	-	-
Property tax	10,339	-	-	-	-	-	-
Business tax	-	-	-	-	-	-	-
TIF bond receivable	-	-	-	-	-	-	-
Due from other governments	180	-	-	-	-	32,801	7,286
Due from other funds	-	3,999	-	-	-	479	-
Total assets	\$ 131,463	\$ 2,068,523	\$ 43,880	\$ 178,669	\$ 511,887	\$ 88,167	\$ 1,174,298
LIABILITIES							
Accounts payable	\$ -	\$ 10	\$ 188	\$ -	\$ 44,256	\$ 10,753	\$ 844
Due to other funds	28,000	-	-	-	-	79,000	479
Due to other governments	-	-	-	-	-	-	-
Accrued expenses	-	200	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	28,000	210	188	-	44,256	89,753	1,323
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	7,514	-	-	-	-	-	-
Unavailable revenue - other local taxes	-	276,020	-	-	-	-	-
Unavailable revenue - fees and other	-	37,009	3,569	2,501	3,783	-	7,286
Total deferred inflows of resources	7,514	313,029	3,569	2,501	3,783	-	7,286
FUND BALANCES (DEFICIT)							
Nonspendable:							
Permanent Fund principal	-	-	-	125,000	-	-	-
Restricted for:							
Debt service	95,949	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Capital/special projects	-	1,755,284	-	51,168	-	-	-
Federal programs	-	-	-	-	-	(1,586)	1,165,689
Community betterment	-	-	-	-	463,848	-	-
Assigned for:							
Airport	-	-	-	-	-	-	-
Downtown improvements/parking	-	-	40,123	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficit)	95,949	1,755,284	40,123	176,168	463,848	(1,586)	1,165,689
Total liabilities, deferred inflows of resources and fund balances	\$ 131,463	\$ 2,068,523	\$ 43,880	\$ 178,669	\$ 511,887	\$ 88,167	\$ 1,174,298

CITY OF FREMONT, NEBRASKA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED

SEPTEMBER 30, 2018

	Special Revenue Funds					Capital Projects	Total Non-major
	Economic	Airport	Enhanced & Wireless	Drug Task	Community	Special	Governmental
	<u>Enhancement</u>	<u>Fund</u>	<u>911</u>	<u>Force</u>	<u>Development</u> <u>Agency</u>	<u>Projects</u>	<u>Funds</u>
ASSETS							
Cash and cash equivalents	\$ 487,802	\$ 215,772	\$ 95,843	\$ 32,577	\$ 88,930	\$ 541,441	\$ 2,117,780
Investments	-	-	200,049	-	-	-	2,160,416
County treasurer cash	-	-	-	-	-	-	5,873
Receivables:							
Special assessments	-	145,720	-	-	-	-	425,309
Accounts, net of allowance for doubtful accounts	-	330	-	-	-	-	28,588
Notes, net of allowance for doubtful accounts	120,000	-	-	-	-	-	1,289,008
Interest	-	-	1,477	-	-	-	44,770
Property tax	-	-	-	-	-	-	10,339
Business tax	-	-	27,558	-	-	-	27,558
TIF bond receivable	-	-	-	-	189,632	-	189,632
Due from other governments	-	-	165,515	-	-	-	205,782
Due from other funds	-	-	145,402	-	-	98,067	247,947
Total assets	\$ 607,802	\$ 361,822	\$ 635,844	\$ 32,577	\$ 278,562	\$ 639,508	\$ 6,753,002
LIABILITIES							
Accounts payable	\$ -	\$ 5,328	\$ 28,654	\$ -	\$ -	\$ 92,767	\$ 182,800
Due to other funds	-	129,605	201,085	-	312,599	-	750,768
Due to other governments	-	-	-	6,342	-	-	6,342
Accrued expenses	-	-	47,567	-	-	-	47,767
Unearned revenue	-	7,800	-	-	-	-	7,800
Total liabilities	-	142,733	277,306	6,342	312,599	92,767	995,477
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	-	-	-	-	-	-	7,514
Unavailable revenue - other local taxes	-	-	-	-	-	-	276,020
Unavailable revenue - fees and other	-	162,742	87,304	-	189,632	-	493,826
Total deferred inflows of resources	-	162,742	87,304	-	189,632	-	777,360
FUND BALANCES (DEFICIT)							
Nonspendable:							
Permanent fund principal	-	-	-	-	-	-	125,000
Restricted for:							
Debt service	-	-	-	-	-	-	95,949
Public safety	-	-	271,234	26,235	-	-	297,469
Economic development	607,802	-	-	-	-	-	607,802
Capital/special projects	-	-	-	-	-	546,741	2,353,193
Federal programs	-	-	-	-	-	-	1,164,103
Community betterment	-	-	-	-	-	-	463,848
Assigned for:							
Airport	-	56,347	-	-	-	-	56,347
Downtown improvements/parking	-	-	-	-	-	-	40,123
Unreserved	-	-	-	-	(223,669)	-	(223,669)
Total fund balances (deficit)	607,802	56,347	271,234	26,235	(223,669)	546,741	4,980,165
Total liabilities, deferred inflows of resources and fund balances	\$ 607,802	\$ 361,822	\$ 635,844	\$ 32,577	\$ 278,562	\$ 639,508	\$ 6,753,002

CITY OF FREMONT, NEBRASKA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	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	\$ 344,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes	-	-	-	-	-	-	-
Payments in lieu of taxes	896	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	32,224	416,020
Keno	-	-	-	-	685,501	-	-
Charges for services	-	152,215	44,552	-	-	-	-
Interest income	304	24,581	73	763	4,158	-	306
Other income	-	-	-	-	15,050	-	-
Total revenues	<u>345,941</u>	<u>176,796</u>	<u>44,625</u>	<u>763</u>	<u>704,709</u>	<u>32,224</u>	<u>416,326</u>
EXPENDITURES							
General government	1,032	-	15,404	-	-	35,278	233,638
Public safety	-	-	-	-	-	-	-
Public works	-	202,522	-	-	-	-	-
Environment and leisure	-	-	-	-	182,391	-	-
Principal payments on debt	295,000	-	-	-	-	-	-
Interest on long-term debt	45,960	-	-	-	-	-	-
Total expenditures	<u>341,992</u>	<u>202,522</u>	<u>15,404</u>	<u>-</u>	<u>182,391</u>	<u>35,278</u>	<u>233,638</u>
Excess (deficiency) of revenues over expenditures	<u>3,949</u>	<u>(25,726)</u>	<u>29,221</u>	<u>763</u>	<u>522,318</u>	<u>(3,054)</u>	<u>182,688</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	(3,000)	(600,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>(600,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>3,949</u>	<u>(25,726)</u>	<u>29,221</u>	<u>(2,237)</u>	<u>(77,682)</u>	<u>(3,054)</u>	<u>182,688</u>
Fund balances - September 30, 2017	<u>92,000</u>	<u>1,781,010</u>	<u>10,902</u>	<u>178,405</u>	<u>541,530</u>	<u>1,468</u>	<u>983,001</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>

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, 2018

	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	\$ -	\$ -	\$ -	\$ -	\$ 246,519	\$ -	\$ 591,260
Business taxes	-	-	124,508	-	-	-	124,508
Payment in lieu of taxes	-	-	-	-	-	-	896
Intergovernmental	-	-	938,380	-	-	188,435	1,575,059
Keno	-	-	-	-	-	-	685,501
Charges for services	-	113,301	-	-	-	-	310,068
Interest income	960	526	2,522	-	64	1,451	35,708
Other income	-	-	-	-	15,020	-	30,070
Total revenues	<u>960</u>	<u>113,827</u>	<u>1,065,410</u>	<u>-</u>	<u>261,603</u>	<u>189,886</u>	<u>3,353,070</u>
EXPENDITURES							
General government	79,333	-	-	-	246,519	-	611,204
Public safety	-	-	1,070,368	7,569	-	-	1,077,937
Public works	-	-	-	-	-	-	202,522
Environment and leisure	-	108,231	-	-	-	98,067	388,689
Principal payments on debt	-	12,250	-	-	-	-	307,250
Interest on long-term debt	-	-	-	-	-	-	45,960
Total expenditures	<u>79,333</u>	<u>120,481</u>	<u>1,070,368</u>	<u>7,569</u>	<u>246,519</u>	<u>98,067</u>	<u>2,633,562</u>
Excess (deficiency) of revenues over expenditures	<u>(78,373)</u>	<u>(6,654)</u>	<u>(4,958)</u>	<u>(7,569)</u>	<u>15,084</u>	<u>91,819</u>	<u>719,508</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	100,000	-	-	-	-	98,067	198,067
Transfers out	-	-	-	(12,166)	-	-	(615,166)
Total other financing sources (uses)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(12,166)</u>	<u>-</u>	<u>98,067</u>	<u>(417,099)</u>
Net change in fund balances	21,627	(6,654)	(4,958)	(19,735)	15,084	189,886	302,409
Fund balances - September 30, 2017	<u>586,175</u>	<u>63,001</u>	<u>276,192</u>	<u>45,970</u>	<u>(238,753)</u>	<u>356,855</u>	<u>4,677,756</u>
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>

**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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 26, 2019.

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
April 26, 2019