



**CITY OF**

**FREMONT**

**NEBRASKA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**September 30, 2020**

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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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The non-major governmental funds combining statements and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The non-major governmental funds combining statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the non-major governmental funds combining statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated March 29, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**BKD, LLP**

Omaha, Nebraska  
March 29, 2021

# CITY OF FREMONT, NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED SEPTEMBER 30, 2020

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### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the City of Fremont, Nebraska (the "City" or "City of Fremont") we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Fremont for the fiscal year ended September 30, 2020.

#### Financial Highlights

- The assets of the City of Fremont exceeded its liabilities at the close of the most recent fiscal year by \$299,391,383 (*net position*). Of this amount, \$85,787,416 (*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 \$108,520,739. Approximately 22.2 percent of this total amount, \$24,129,944 is *unrestricted net position*.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,711,897, or 45.2 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, 2020

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**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City 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.

**CITY OF FREMONT, NEBRASKA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 54 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Fremont’s budgetary comparison schedules. Required supplementary information can be found on pages 56-59 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 61-64 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Fremont, assets exceeded liabilities by \$299,391,383 at the close of the most recent fiscal year.

**Summary of Net Position**

	September 30, 2020			September 30, 2019		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and Other Assets	\$ 49,884,302	\$ 86,544,035	\$ 136,428,337	\$ 54,582,337	\$ 89,644,686	\$ 144,227,023
Capital Assets	65,508,394	215,407,125	280,915,519	57,783,344	207,038,095	264,821,439
Deferred Outflow of Resources	3,147	106,592	109,739	3,687	125,093	128,780
Total Assets and Deferred Outflows	115,395,843	302,057,752	417,453,595	112,369,368	296,807,874	409,177,242
Long-term Liabilities	2,718,101	91,084,028	93,802,129	3,245,961	96,014,446	99,260,407
Other Liabilities	4,157,005	20,102,663	24,259,668	3,562,488	20,355,574	23,918,062
Deferred Inflow of Resources	-	417	417	-	584	584
Total Liabilities and Deferred Inflows	6,875,106	111,187,108	118,062,214	6,808,449	116,370,604	123,179,053
Net Position:						
Net Investment						
in Capital Assets	61,625,538	116,315,171	177,940,709	54,014,482	108,717,155	162,731,637
Restricted						
Expendable	22,640,257	12,898,001	35,538,258	26,883,628	12,080,416	38,964,044
Nonexpendable	125,000	-	125,000	125,000	-	125,000
Unrestricted	24,129,944	61,657,472	85,787,416	24,537,809	59,639,699	84,177,508
Total Net Position	<u>\$ 108,520,739</u>	<u>\$ 190,870,644</u>	<u>\$ 299,391,383</u>	<u>\$ 105,560,919</u>	<u>\$ 180,437,270</u>	<u>\$ 285,998,189</u>

The largest portion of the City of Fremont’s net position (59.4 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 (11.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$85,787,416) may be used to meet the government’s ongoing obligations to citizens and creditors.

**CITY OF FREMONT, NEBRASKA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

**Governmental Activities.** Net position increased \$2,959,820 in the governmental activities during the year ended September 30, 2020, accounting for total growth in the City's net position by 22.1 percent for the year ended September 30, 2020. Key elements of this increase are as follows:

**Expenses and Program Revenues - Governmental Activities**

<b>Function</b>	<b>Year Ended September 30, 2020</b>		<b>Year Ended September 30, 2019</b>	
	<b>Program Revenues</b>	<b>Program Expenses</b>	<b>Program Revenues</b>	<b>Program Expenses</b>
General government	\$ 1,572,626	\$ 9,246,947	\$ 1,473,682	\$ 6,697,509
Public safety	1,605,299	10,025,979	1,664,030	9,141,801
Public works	11,214,259	19,318,288	1,829,748	17,808,023
Environment and leisure	2,419,117	3,686,973	1,338,402	3,420,616
Non-departmental	-	354,411	-	305,399
Interest	-	72,742	-	70,767
<b>Total</b>	<b>\$ 16,811,301</b>	<b>\$ 42,705,340</b>	<b>\$ 6,305,862</b>	<b>\$ 37,444,115</b>

	<b>Year Ended September 30, 2020</b>		<b>Year Ended September 30, 2019</b>	
Charges for services	\$ 4,202,200	9.20 %	\$ 3,992,809	12.03 %
Operating grants and contributions	8,674,967	19.00	1,554,034	4.68
Capital grants and contributions	3,934,134	8.62	759,019	2.29
Property taxes	9,484,981	20.77	6,864,240	20.68
Motor vehicle taxes	626,407	1.37	592,991	1.79
Sales tax	8,296,112	18.17	7,986,402	24.06
Payments in lieu of taxes	(2,885)	(0.01)	13,927	0.04
Franchise taxes	274,284	0.60	296,155	0.89
Other taxes	1,863,981	4.08	1,926,030	5.80
State allocation	3,999,222	8.76	4,087,182	12.31
Keno	606,785	1.33	758,810	2.29
Special assessments	-	-	48,196	0.15
Miscellaneous	30,552	0.07	56,126	0.17
Interest	439,751	0.96	865,729	2.61
Gain (loss) on sale of assets	128,295	0.28	286,427	0.86
Transfer from (to) other funds	3,106,374	6.79	3,111,857	9.38
<b>Total</b>	<b>\$ 45,665,160</b>	<b>100.00 %</b>	<b>\$ 33,199,934</b>	<b>100.00 %</b>

**CITY OF FREMONT, NEBRASKA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Business-type Activities.** Business-type activities increased the City of Fremont’s net position by \$10,433,374, accounting for total growth of 77.9 percent of the total growth in the government’s net position for the year ended September 30, 2020. Key elements of this increase are as follows:

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

<b>Function</b>	<b>Year Ended September 30, 2020</b>		<b>Year Ended September 30, 2019</b>	
	<b>Program Revenues</b>	<b>Program Expenses</b>	<b>Program Revenues</b>	<b>Program Expenses</b>
Electric	\$ 46,681,257	\$ 39,578,503	\$ 45,568,896	\$ 38,260,959
Water	5,785,307	3,768,727	4,960,493	3,399,779
Sewer	8,071,695	6,403,117	8,701,918	6,041,006
Gas	14,209,615	12,014,878	14,964,928	13,651,329
Total	<u>\$ 74,747,874</u>	<u>\$ 61,765,225</u>	<u>\$ 74,196,235</u>	<u>\$ 61,353,073</u>

**SOURCES OF REVENUE**

	<b>Year Ended September 30, 2020</b>		<b>Year Ended September 30, 2019</b>	
Charges for services	\$ 73,042,009	101.17 %	\$ 70,862,710	98.45 %
Operating grants and contributions	514,480	0.71	29,080	0.04
Capital grants and contributions	1,191,385	1.65	3,304,445	4.59
Interest	539,626	0.75	918,915	1.28
Gain (loss) on sale of assets	17,473	0.02	(25,928)	(0.04)
Transfer (to) from other funds	<u>(3,106,374)</u>	<u>(4.30)</u>	<u>(3,111,857)</u>	<u>(4.32)</u>
Total	<u>\$ 72,198,599</u>	<u>100.00 %</u>	<u>\$ 71,977,365</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 \$39,573,677. Approximately 23.4 percent of this total amount (\$9,263,460) 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 (\$154,615), 2) restricted for street improvements (\$4,050,699), 3) restricted for public safety (\$2,492,881), 4) restricted for infrastructure (\$2,105,345), 5) restricted for property tax relief (\$1,325,649), 6) restricted for economic development (\$7,798,542), 7) restricted for a variety of capital/special projects (\$2,740,161), 8) restricted for Federal programs (\$672,295), 9) restricted for community betterment (\$740,925), 10) committed for code enforcement/defense (\$1,384,013), 11) committed for capital improvement projects (\$6,605,979), 12) assigned for downtown improvement projects (\$70,785), 13) endowed as nonspendable principal (\$125,000), or 14) nonspendable prepaid expense (\$43,328).

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 \$9,711,897. As a measure of the General Fund’s

## CITY OF FREMONT, NEBRASKA

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2020

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liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 45.2 percent of total General Fund expenditures.

The fund balance of the City of Fremont's General Fund decreased by \$1,264,115, during the current fiscal year, which was approximately \$4,643,594 less than was budgeted. The decrease was predominantly due to four main capital projects, using bond proceeds of \$2,000,000 and reserves of \$5,005,734 not completed during the fiscal year. Other factors include expenditure savings that included \$1,071,000 in personal services because of position vacancies, and \$301,000 in commodities offset by a deficit of -\$8,700 in contractual services. The budget surpluses are also related to shutdowns of city facilities and programs during a portion of the COVID-19 pandemic. The 2019 audited financial statements referenced the historic flooding along the southern portion of the City during mid-March, 2019, and included some cost estimates which proved to be higher than actual amounts. The City continues to work with the Federal Emergency Management Agency (FEMA) to obligate additional funds for repairs to the levee in the affected area.

**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 - \$43,724,366, Water Fund - \$4,242,340, Sewer Fund - \$5,746,451, and Gas Fund - \$7,942,315. The change in net position for the proprietary funds was as follows: Electric Fund - \$5,073,933, Water Fund - \$1,937,141, Sewer Fund - \$1,514,805, and Gas Fund - \$1,907,495. The increase in the Electric Fund net position was attributable to a major customer being online for all of the 2020 fiscal year, as well as a November 2019 three percent rate increase in the electric fund, offset by a 55 percent decrease in off system sales. The increase in the Water Fund relates to a 35 percent increase in consumption in the Commercial category. The increase in the Sewer Fund was attributable to additional charges to industrial customers based on concentration of waste. The increase in the Gas Fund is a result of a 25% increase in Large Volume Consumption. The March 2019 flooding event previously reported caused \$320,000 damage to utility infrastructure and the City received FEMA funds at a reimbursement rate 75% of approved costs. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City of Fremont's business-type activities.

#### **Budgetary Highlights**

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

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

**Capital Assets.** The City of Fremont's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$280,915,519 (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:

- Bell St widening, Cuming-14<sup>th</sup> - \$3,478,549
- Jack Sutton Dr, Luther-Johnson - \$1,893,906
- Johnson Road South paving - \$1,819,752
- Electric distribution system improvements - \$1,453,189
- Water system improvements - \$1,294,229
- Sewer system improvements - \$832,262
- Gas system improvements - \$746,740

## CITY OF FREMONT, NEBRASKA

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2020

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- Honeywell controls hardware refresh – \$475,443
  
- Sunridge Place Addition paving - \$372,893
- Morningside Pointe Addition paving - \$345,238
- 2020 Freightliner digger derrick - \$298,507
- 2020 Tymco 600 sweeper - \$244,270
- 2021 Freightliner jet truck - \$228,503

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

- Wastewater treatment plant upgrades - \$9,383,339
- City Auditorium remodel - \$2,708,588
- Airport aircraft apron - \$2,004,759
- US 77 & Cloverly intersection - \$867,503
- LDW rail track extension - \$625,192
- SE Beltway Electric relocates - \$403,772
- City Hall elevator - \$383,783
- Electric SCADA control system - \$331,489
- Substation H design & construction - \$257,658
- Gas SCADA control system - \$219,176

**CITY OF FREMONT, NEBRASKA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
Land	\$ 7,173,710	\$ 5,052,174	\$ 12,225,884	\$ 7,390,582	\$ 5,052,174	\$ 12,442,756
Construction in Progress	8,893,258	42,238,264	51,131,522	8,788,104	31,162,714	39,950,818
Infrastructure	36,474,616	-	36,474,616	28,787,752	-	28,787,752
Buildings and Improvements	7,878,766	-	7,878,766	7,978,403	-	7,978,403
Machinery and Equipment	5,088,044	4,935,827	10,023,871	4,838,503	5,118,059	9,956,562
Distribution Systems, Buildings, and Equipment	-	159,315,850	159,315,850	-	162,727,247	162,727,247
Office Furniture and Equipment	-	498,012	498,012	-	301,119	301,119
Vehicles	-	3,366,998	3,366,998	-	2,676,782	2,676,782
<b>Total</b>	<b>\$ 65,508,394</b>	<b>\$ 215,407,125</b>	<b>\$ 280,915,519</b>	<b>\$ 57,783,344</b>	<b>\$ 207,038,095</b>	<b>\$ 264,821,439</b>

Additional information on the City of Fremont's capital assets can be found in Note C4 on pages 39 - 41 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 \$97,443,179 principal payments of debt.

**City of Fremont's Outstanding Debt**

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Governmental	Business-type	Total	Governmental	Business-type	Total
	Activities	Activities		Activities	Activities	
General Obligation Bonds	\$ 1,880,000	\$ -	\$ 1,880,000	\$ 2,185,000	\$ -	\$ 2,185,000
Revenue Bonds	-	94,855,346	94,855,346	-	99,900,031	99,900,031
Capital leases payable	707,833	-	707,833	930,341	-	930,341
<b>Total</b>	<b>\$ 2,587,833</b>	<b>\$ 94,855,346</b>	<b>\$ 97,443,179</b>	<b>\$ 3,115,341</b>	<b>\$ 99,900,031</b>	<b>\$ 103,015,372</b>

The City of Fremont maintains an AA bond rating, while the Combined Utilities maintains an AA(-) bond rating from Standard & Poors.

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 2020 and 2021.
- Property tax assessment for the year ending September 30, 2021 is \$6,556,908, which is the more than the assessment for the year ended September 30, 2020 due to an expected increase in bonded indebtedness. 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

## CITY OF FREMONT, NEBRASKA

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED), CONTINUED FOR THE YEAR ENDED SEPTEMBER 30, 2020

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by the City Council for enforcement and capital improvements at the Police Station. The City Council committed \$1,384,013 at September 30, 2020 for this purpose. In addition, the Council also committed \$5,914,792 for capital improvement projects.

- A large employer and utility customer completed construction of facilities with an estimated value of \$93,300,000 that will provide 800-1,100 jobs and significantly increase utility volumes beginning in late 2019. The Capital Improvement Plan includes wastewater treatment improvements, including anaerobic lagoons. This is a tax increment financing (TIF) project, so no additional property tax receipts are expected for the duration of the TIF period.
- The City has budgeted and expects to make significant expenditures for the following capital projects during the next two fiscal years, (expenditures for smaller capital projects will be dependent upon actual revenues remaining within budgeted levels, while larger projects will be financed with a combination of long-term debt, cash reserves and private funding):
  - Waste water treatment plant improvements - \$17,000,000
  - Additional wells - \$7,000,000 over two years
  - Coal handling modifications - \$2,900,000
  - Joint project with the Nebraska Department of Transportation for a beltway joining US Hwy 275 and US Hwy 77 to the southeast of the City. The City's final contribution of \$6,660,000 of the City's share of \$20,000,000 is included in the 2020 budget.
  - Joint Law Enforcement Center, \$11,200,000 over three years.
  - Multi Use Building for Streets and Park - \$8,000,000.
  - Various citywide paving and resurfacing projects - \$5,521,000
  - Two separate ballot initiatives passed during 2019 requesting the use of GO Bonds of \$2,000,000 each to finance:
    - Library expansion - \$11,830,000
    - City Auditorium renovation - \$3,500,000
  - Airport terminal - \$2,000,000
- The City Council approved a three percent increase in rates for the Electric Fund effective November 2019, and another three percent increase effective November 2020. The City Council also approved an increase in Sewer Fund rates by 8.7 percent effective November 2019 and another 5.1 percent increase effective November 2020 to meet debt service requirements on the wastewater treatment plant improvements.

All of these factors were considered in preparing the City of Fremont's budget for the 2020 and 2021 fiscal year.

#### **Request for Information**

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

**CITY OF FREMONT, NEBRASKA**  
**Statement of Net Position**  
**September 30, 2020**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 23,364,070	\$ 20,983,425	\$ 44,347,495
Investments	19,635,000	11,880,491	31,515,491
County treasurer cash	293,978	-	293,978
Receivables:			
Special assessments	439,493	-	439,493
Accounts, net of allowance for doubtful accounts	487,449	4,413,410	4,900,859
Unbilled revenue	-	4,410,804	4,410,804
Interest	216,248	320,547	536,795
Property tax	233,643	-	233,643
Business tax	206,557	-	206,557
Other tax	364,764	-	364,764
Receivable/payable to other funds	112,561	(112,561)	-
Due from other governments	1,977,404	140,806	2,118,210
Inventory	-	10,842,913	10,842,913
Prepaid expenses	43,328	197,639	240,967
Total current assets	<u>47,374,495</u>	<u>53,077,474</u>	<u>100,451,969</u>
Noncurrent assets:			
Restricted cash and cash equivalents	57,609	4,424,794	4,482,403
Restricted investments	-	11,990,509	11,990,509
TIF notes receivable	188,369	-	188,369
Notes receivable, net of allowance	2,263,829	-	2,263,829
Regulatory asset	-	17,051,258	17,051,258
Capital assets:			
Land	7,173,710	5,052,174	12,225,884
Construction in progress	8,893,258	42,238,264	51,131,522
Other capital assets, net of depreciation	49,441,426	168,116,687	217,558,113
Net capital assets	<u>65,508,394</u>	<u>215,407,125</u>	<u>280,915,519</u>
Total noncurrent assets	<u>68,018,201</u>	<u>248,873,686</u>	<u>316,891,887</u>
Total assets	<u>115,392,696</u>	<u>301,951,160</u>	<u>417,343,856</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on bond refundings	3,147	106,592	109,739
Total deferred outflows of resources	<u>3,147</u>	<u>106,592</u>	<u>109,739</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,453,295	10,841,487	13,294,782
Claims liability	187,931	10,216	198,147
Accrued expenses	163,850	2,212,659	2,376,509
Due to other governments	1,634	-	1,634
Regulatory liability	-	463,046	463,046
Unearned revenues	23,078	304,217	327,295
Customer deposits	17,681	750,582	768,263
Current portion of compensated absences	760,440	775,456	1,535,896
Current portion of long-term debt	549,096	4,745,000	5,294,096
Total current liabilities	<u>4,157,005</u>	<u>20,102,663</u>	<u>24,259,668</u>
Noncurrent liabilities:			
Compensated absences	679,364	791,968	1,471,332
Fly ash liability/closure costs payable	-	181,714	181,714
Noncurrent portion of long-term debt	2,038,737	90,110,346	92,149,083
Total noncurrent liabilities	<u>2,718,101</u>	<u>91,084,028</u>	<u>93,802,129</u>
Total liabilities	<u>6,875,106</u>	<u>111,186,691</u>	<u>118,061,797</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred gain on bond refundings	-	417	417
Total deferred inflows of resources	<u>-</u>	<u>417</u>	<u>417</u>
<b>NET POSITION</b>			
Net investment in capital assets	61,625,538	116,315,171	177,940,709
Restricted for:			
Debt service	154,615	12,079,715	12,234,330
Fly ash disposal	-	818,286	818,286
Street improvements	4,099,783	-	4,099,783
Federal grant programs	672,295	-	672,295
Other purposes			
Expendable	17,713,564	-	17,713,564
Nonexpendable	125,000	-	125,000
Unrestricted	<u>24,129,944</u>	<u>61,657,472</u>	<u>85,787,416</u>
Total net position	<u>\$ 108,520,739</u>	<u>\$ 190,870,644</u>	<u>\$ 299,391,383</u>

See notes to financial statements

**CITY OF FREMONT, NEBRASKA**  
**Statement of Activities**  
**For the Year Ended September 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 9,246,947	\$ 1,499,248	\$ 73,378	\$ -	\$ (7,674,321)	\$ -	\$ (7,674,321)
Public safety	10,025,979	1,500,066	102,733	2,500	(8,420,680)	-	(8,420,680)
Public works	19,318,288	912,726	8,183,423	2,118,110	(8,104,029)	-	(8,104,029)
Environment and leisure	3,686,973	290,160	315,433	1,813,524	(1,267,856)	-	(1,267,856)
Non-departmental	354,411	-	-	-	(354,411)	-	(354,411)
Interest on long-term debt	72,742	-	-	-	(72,742)	-	(72,742)
Total governmental activities	<u>42,705,340</u>	<u>4,202,200</u>	<u>8,674,967</u>	<u>3,934,134</u>	<u>(25,894,039)</u>	<u>-</u>	<u>(25,894,039)</u>
<b>Business-type activities:</b>							
Electric	39,578,503	46,251,114	430,143	-	-	7,102,754	7,102,754
Water	3,768,727	5,023,590	84,337	677,380	-	2,016,580	2,016,580
Sewer	6,403,117	7,557,690	-	514,005	-	1,668,578	1,668,578
Gas	12,014,878	14,209,615	-	-	-	2,194,737	2,194,737
Total business-type activities	<u>61,765,225</u>	<u>73,042,009</u>	<u>514,480</u>	<u>1,191,385</u>	<u>-</u>	<u>12,982,649</u>	<u>12,982,649</u>
<b>Total primary government</b>	<u>\$ 104,470,565</u>	<u>\$ 77,244,209</u>	<u>\$ 9,189,447</u>	<u>\$ 5,125,519</u>	<u>\$ (25,894,039)</u>	<u>\$ 12,982,649</u>	<u>\$ (12,911,390)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property					9,484,981	-	9,484,981
Motor vehicle					626,407	-	626,407
Sales tax					8,296,112	-	8,296,112
Payments in lieu of taxes					(2,885)	-	(2,885)
Franchise					274,284	-	274,284
Other taxes					1,863,981	-	1,863,981
State allocation					3,999,222	-	3,999,222
Keno					606,785	-	606,785
Miscellaneous					30,552	-	30,552
Interest income					439,751	539,626	979,377
Gain (loss) on sale of assets					128,295	17,473	145,768
Transfer (to) from other funds					3,106,374	(3,106,374)	-
Total general revenues					<u>28,853,859</u>	<u>(2,549,275)</u>	<u>26,304,584</u>
Change in net position					<u>2,959,820</u>	<u>10,433,374</u>	<u>13,393,194</u>
Net position - September 30, 2019					<u>105,560,919</u>	<u>180,437,270</u>	<u>285,998,189</u>
Net position - September 30, 2020					<u>\$ 108,520,739</u>	<u>\$ 190,870,644</u>	<u>\$ 299,391,383</u>

See notes to financial statements

**CITY OF FREMONT, NEBRASKA**  
**Balance Sheet – Governmental Funds**  
**September 30, 2020**

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,106,434	\$ 2,897,194	\$ 9,665,991	\$ 2,840,862	\$ 20,510,481
Investments	10,175,000	500,000	3,000,000	2,210,000	15,885,000
County treasurer cash	222,570	56,671	-	14,737	293,978
Receivables:					
Special assessments	27,794	31,777	-	379,924	439,495
Accounts, net of allowance for doubtful accounts	434,523	20,050	-	32,876	487,449
Notes receivable, net of allowance for doubtful accounts	-	-	1,352,706	911,123	2,263,829
Interest	107,156	16	5,450	46,817	159,439
Property tax	206,713	-	-	26,930	233,643
Business tax	181,915	-	-	24,642	206,557
Other tax	-	364,764	-	-	364,764
TIF notes receivable	-	-	-	188,369	188,369
Due from other governments	144,692	-	1,465,465	367,247	1,977,404
Due from other funds	3,049,247	312,519	121,498	106,023	3,589,287
Prepaid expenses	43,328	-	-	-	43,328
<b>Total assets</b>	<b>\$ 19,699,372</b>	<b>\$ 4,182,991</b>	<b>\$ 15,611,110</b>	<b>\$ 7,149,550</b>	<b>\$ 46,643,023</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,398,493	\$ 389,245	\$ -	\$ 541,998	\$ 2,329,736
Accrued expenses	30,530	89,134	-	36,410	156,074
Due to other governments	1,634	-	-	-	1,634
Due to other funds	145,571	2,002,567	562,532	766,056	3,476,726
Customer deposits	16,556	-	1,125	-	17,681
Unearned revenue	-	-	17,678	5,400	23,078
Total liabilities	<u>1,592,784</u>	<u>2,480,946</u>	<u>581,335</u>	<u>1,349,864</u>	<u>6,004,929</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	157,744	-	-	23,919	181,663
Unavailable revenue - other local taxes	27,794	31,777	-	257,814	317,385
Unavailable revenue - fees and other	175,833	17,307	-	372,229	565,369
Total deferred inflows	<u>361,371</u>	<u>49,084</u>	<u>-</u>	<u>653,962</u>	<u>1,064,417</u>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Permanent fund principal	-	-	-	125,000	125,000
Prepaid expenses	43,328	-	-	-	43,328
Restricted for:					
Debt service	-	-	-	154,615	154,615
Street improvements	-	1,652,961	2,397,738	-	4,050,699
Public safety	-	-	2,057,085	435,796	2,492,881
Infrastructure	-	-	2,105,345	-	2,105,345
Property tax relief	-	-	1,325,649	-	1,325,649
Economic development	-	-	7,143,958	654,584	7,798,542
Capital/special projects	-	-	-	2,740,161	2,740,161
Federal programs	-	-	-	672,295	672,295
Community betterment	-	-	-	740,925	740,925
Committed for:					
Code enforcement/defense	1,384,013	-	-	-	1,384,013
Capital improvement projects	6,605,979	-	-	-	6,605,979
Assigned for:					
Other	-	-	-	70,785	70,785
Unassigned	9,711,897	-	-	(448,437)	9,263,460
Total fund balances	<u>17,745,217</u>	<u>1,652,961</u>	<u>15,029,775</u>	<u>5,145,724</u>	<u>39,573,677</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 19,699,372</b>	<b>\$ 4,182,991</b>	<b>\$ 15,611,110</b>	<b>\$ 7,149,550</b>	<b>\$ 46,643,023</b>

See notes to financial statements

**CITY OF FREMONT, NEBRASKA**  
**Reconciliation of the Balance Sheet –**  
**Governmental Funds to the Statement of Net Position**  
**September 30, 2020**

**Total fund balances - governmental funds** \$ 39,573,677

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$99,117,030, and the accumulated depreciation is \$33,608,636. 65,508,394

Deferred amounts on bond refundings are not financial resources and, therefore, are not reported as assets in governmental funds. 3,147

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 6,398,741

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds but are deferred 1,064,417

Long-term liabilities, including bonds and lease 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	\$ (1,439,804)	
Bonds and lease payable	<u>(2,587,833)</u>	<u>(4,027,637)</u>

**Total net position - governmental activities** \$ 108,520,739

**CITY OF FREMONT, NEBRASKA**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Governmental Funds**  
**September 30, 2020**

	<u>General</u>	<u>Street</u>	<u>Sales Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes:					
Property	\$ 6,054,273	\$ -	\$ -	\$ 3,430,707	\$ 9,484,980
Motor vehicle	-	626,407	-	-	626,407
Sales tax	-	-	8,296,112	-	8,296,112
Franchise	274,284	-	-	-	274,284
Occupation	1,751,689	-	-	112,292	1,863,981
Intergovernmental	1,130,045	4,218,671	-	2,595,777	7,944,493
Keno	-	-	-	606,785	606,785
Charges for services	3,052,957	54,271	17,707	210,414	3,335,349
Donations	778	7,058,000	-	207,348	7,266,126
Interest income	245,879	80,227	85,355	65,536	476,997
Other income	37,429	49,607	390,670	51,671	529,377
Total revenues	<u>12,547,334</u>	<u>12,087,183</u>	<u>8,789,844</u>	<u>7,280,530</u>	<u>40,704,891</u>
<b>EXPENDITURES</b>					
General government	5,560,049	-	585,882	3,408,088	9,554,019
Public safety	9,037,153	-	117,573	898,316	10,053,042
Public works	424,179	20,272,683	-	2,624	20,699,486
Environment and leisure	5,868,644	-	-	2,387,592	8,256,236
Employee insurance	354,411	-	-	-	354,411
Principal payments on debt	222,508	-	-	305,000	527,508
Interest on long-term debt	27,538	6,194	-	39,116	72,848
Total expenditures	<u>21,494,482</u>	<u>20,278,877</u>	<u>703,455</u>	<u>7,040,736</u>	<u>49,517,550</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(8,947,148)</u>	<u>(8,191,694)</u>	<u>8,086,389</u>	<u>239,794</u>	<u>(8,812,659)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	7,956,511	1,721,918	-	240,917	9,919,346
Transfers out	(273,478)	-	(6,156,242)	(383,252)	(6,812,972)
Net other sources and uses	<u>7,683,033</u>	<u>1,721,918</u>	<u>(6,156,242)</u>	<u>(142,335)</u>	<u>3,106,374</u>
<b>Net change in fund balances</b>	<u>(1,264,115)</u>	<u>(6,469,776)</u>	<u>1,930,147</u>	<u>97,459</u>	<u>(5,706,285)</u>
Fund balances - September 30, 2019	<u>19,009,332</u>	<u>8,122,737</u>	<u>13,099,628</u>	<u>5,048,265</u>	<u>45,279,962</u>
Fund balances - September 30, 2020	<u>\$ 17,745,217</u>	<u>\$ 1,652,961</u>	<u>\$ 15,029,775</u>	<u>\$ 5,145,724</u>	<u>\$ 39,573,677</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, 2020**

<b>Total net change in fund balances - governmental funds</b>	<b>\$ (5,706,285)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the period.	5,850,737
The net effect of various miscellaneous transactions involving capital assets (contributions, disposals, etc.)	1,874,313
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 of the Internal Service Fund is reported with governmental activities in the statement of activities.	480,942
The change in compensated absences is reported as an expense in the statement activities . Compensated absences are not reported in the governmental funds.	(111,675)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the change in deferred inflows in the governmental funds.	44,820
Repayment of bond and lease principal, net of debt refunding proceeds and payments, is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	527,508
<b>Change in net position of governmental activities</b>	<b>\$ <u>2,959,820</u></b>

**CITY OF FREMONT, NEBRASKA**  
**Statement of Net Position – Proprietary Funds**  
**September 30, 2020**

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 10,045,675	\$ 3,183,516	\$ 3,592,737	\$ 4,161,497	\$ 20,983,425	\$ 2,853,589
Investments	9,880,491	-	-	2,000,000	11,880,491	3,750,000
Receivables:						
Accounts, net of allowance for doubtful accounts	2,804,850	476,207	347,709	784,644	4,413,410	-
Unbilled revenue	2,753,822	401,498	544,032	711,452	4,410,804	-
Due from other funds	106,369	6,587	3,568	6,784	123,308	-
Due from other governments	140,806	-	-	-	140,806	-
Interest	265,064	8,658	27,119	19,706	320,547	56,809
Inventory	9,342,372	229,537	129,185	1,141,819	10,842,913	-
Prepaid expenses	106,190	22,042	22,042	47,365	197,639	-
Total current assets	<u>35,445,639</u>	<u>4,328,045</u>	<u>4,666,392</u>	<u>8,873,267</u>	<u>53,313,343</u>	<u>6,660,398</u>
Noncurrent assets:						
Restricted cash and cash equivalents	1,678,034	84,648	2,662,112	-	4,424,794	57,609
Restricted investments	9,393,009	875,000	1,722,500	-	11,990,509	-
Regulatory assets	16,743,855	-	-	307,403	17,051,258	-
Capital assets:						
Land	2,003,254	1,890,618	1,041,962	116,340	5,052,174	-
Construction in progress	3,085,156	1,090,079	37,585,630	477,399	42,238,264	-
Depreciable capital assets	223,619,838	43,540,740	58,705,437	20,433,236	346,299,251	-
Less accumulated depreciation	(115,895,438)	(20,086,276)	(30,138,715)	(12,062,135)	(178,182,564)	-
Net capital assets	<u>112,812,810</u>	<u>26,435,161</u>	<u>67,194,314</u>	<u>8,964,840</u>	<u>215,407,125</u>	<u>-</u>
Total noncurrent assets	<u>140,627,708</u>	<u>27,394,809</u>	<u>71,578,926</u>	<u>9,272,243</u>	<u>248,873,686</u>	<u>57,609</u>
<b>Total assets</b>	<u>176,073,347</u>	<u>31,722,854</u>	<u>76,245,318</u>	<u>18,145,510</u>	<u>302,187,029</u>	<u>6,718,007</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred loss on bond refundings	79,445	17,116	10,031	-	106,592	-
Total deferred outflows of resources	<u>79,445</u>	<u>17,116</u>	<u>10,031</u>	<u>-</u>	<u>106,592</u>	<u>-</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	6,330,672	240,640	3,754,145	516,030	10,841,487	123,559
Due to other funds	136,681	53,563	29,409	16,216	235,869	-
Accrued payroll	604,578	34,722	72,352	63,245	774,897	7,776
Compensated absences - short term	607,906	21,591	80,847	65,112	775,456	-
Sales tax payable	304,276	666	-	37	304,979	-
Accrued interest payable	645,693	25,655	461,435	-	1,132,783	-
Regulatory liability	-	-	-	463,046	463,046	-
Unearned revenue	304,217	-	-	-	304,217	-
Customer deposits	749,551	1,031	-	-	750,582	-
Claims liability	10,216	-	-	-	10,216	187,931
Current portion of long-term obligations	3,006,610	587,663	1,150,727	-	4,745,000	-
Total current liabilities	<u>12,700,400</u>	<u>965,531</u>	<u>5,548,915</u>	<u>1,123,686</u>	<u>20,338,532</u>	<u>319,266</u>
Noncurrent liabilities:						
Fly ash liability	181,714	-	-	-	181,714	-
Compensated absences - long term	624,174	1,267	51,858	114,669	791,968	-
Noncurrent portion of long-term obligations	56,247,476	3,168,299	30,694,571	-	90,110,346	-
Total noncurrent liabilities	<u>57,053,364</u>	<u>3,169,566</u>	<u>30,746,429</u>	<u>114,669</u>	<u>91,084,028</u>	<u>-</u>
<b>Total liabilities</b>	<u>69,753,764</u>	<u>4,135,097</u>	<u>36,295,344</u>	<u>1,238,355</u>	<u>111,422,560</u>	<u>319,266</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred gain on bond refundings	162	163	92	-	417	-
Total deferred inflows of resources	<u>162</u>	<u>163</u>	<u>92</u>	<u>-</u>	<u>417</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	53,281,491	22,402,722	31,668,118	8,964,840	116,317,171	-
Restricted for:						
Construction	-	-	-	-	-	-
Debt service	8,574,723	959,648	2,545,344	-	12,079,715	-
Fly ash disposal	818,286	-	-	-	818,286	-
Unrestricted	43,724,366	4,242,340	5,746,451	7,942,315	61,655,472	6,398,741
<b>Total net position</b>	<u>\$ 106,398,866</u>	<u>\$ 27,604,710</u>	<u>\$ 39,959,913</u>	<u>16,907,155</u>	<u>\$ 190,870,644</u>	<u>\$ 6,398,741</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, 2020**

	Enterprise Funds				Total	Internal Service Fund
	Electric Fund	Water Fund	Sewer Fund	Gas Fund		
<b>Operating revenues:</b>						
Charges for services	\$ 45,992,763	\$ 4,972,182	\$ 7,468,144	\$ 14,207,944	\$ 72,641,033	\$ 4,732,398
Contributions from other funds	-	-	-	-	-	1,834,023
Other revenue	258,351	51,408	89,546	1,671	400,976	6,243
Total operating revenues	<u>46,251,114</u>	<u>5,023,590</u>	<u>7,557,690</u>	<u>14,209,615</u>	<u>73,042,009</u>	<u>6,572,664</u>
<b>Operating expenses:</b>						
Cost of power/gas	5,167,369	-	-	-	5,167,369	-
Production	19,171,201	1,116,922	2,255,309	8,683,646	31,227,078	-
Distribution	4,818,619	811,884	545,689	1,402,793	7,578,985	-
Customer accounting and collections	2,032,828	666,471	687,901	1,310,623	4,697,823	-
Administrative and general	6,734	2,635	1,805	-	11,174	4,737
Employee insurance	-	-	-	-	-	5,694,865
Workers' compensation	-	-	-	-	-	482,829
Depreciation	5,915,814	1,060,524	1,707,712	585,097	9,269,147	-
Total operating expenses	<u>37,112,565</u>	<u>3,658,436</u>	<u>5,198,416</u>	<u>11,982,159</u>	<u>57,951,576</u>	<u>6,182,431</u>
Operating income	<u>9,138,549</u>	<u>1,365,154</u>	<u>2,359,274</u>	<u>2,227,456</u>	<u>15,090,433</u>	<u>390,233</u>
<b>Nonoperating revenues (expenses):</b>						
Interest income	348,366	23,289	123,778	44,193	539,626	90,709
Interest expense	(2,230,219)	(110,291)	(1,204,233)	-	(3,544,743)	-
Gain (loss) on sale of assets	(235,719)	17,473	(468)	(32,719)	(251,433)	-
Grant revenue	430,143	84,337	-	-	514,480	-
Total nonoperating revenues (expenses)	<u>(1,687,429)</u>	<u>14,808</u>	<u>(1,080,923)</u>	<u>11,474</u>	<u>(2,742,070)</u>	<u>90,709</u>
Income before net contributed capital and interfund transfers	<u>7,451,120</u>	<u>1,379,962</u>	<u>1,278,351</u>	<u>2,238,930</u>	<u>12,348,363</u>	<u>480,942</u>
Contributed capital (CC)	605,328	677,380	514,005	51,590	1,848,303	-
Cost recovered through CC	(605,328)	-	-	(51,590)	(656,918)	-
Transfer from other funds	161,414	131,108	105,080	-	397,602	-
Transfer to other funds	(2,538,601)	(251,309)	(382,631)	(331,435)	(3,503,976)	-
Net CC and transfers	<u>(2,377,187)</u>	<u>557,179</u>	<u>236,454</u>	<u>(331,435)</u>	<u>(1,914,989)</u>	<u>-</u>
<b>Change in net position</b>	<u>5,073,933</u>	<u>1,937,141</u>	<u>1,514,805</u>	<u>1,907,495</u>	<u>10,433,374</u>	<u>480,942</u>
Net position - September 30, 2019	<u>101,324,933</u>	<u>25,667,569</u>	<u>38,445,108</u>	<u>14,999,660</u>	<u>180,437,270</u>	<u>5,917,799</u>
Net position - September 30, 2020	<u>\$ 106,398,866</u>	<u>\$ 27,604,710</u>	<u>\$ 39,959,913</u>	<u>\$ 16,907,155</u>	<u>\$ 190,870,644</u>	<u>\$ 6,398,741</u>

See notes to financial statements

**CITY OF FREMONT, NEBRASKA**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended September 30, 2020**

	<u>Enterprise Funds</u>		<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal Service Fund</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Gas Fund</u>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from customers	\$ 45,511,344	\$ 4,793,961	\$ 7,420,147	\$ 13,594,834	\$ 71,320,286	\$ 4,738,641
Receipts from other funds	-	-	-	-	-	1,834,023
Payments to suppliers	(17,553,890)	(1,907,322)	(2,080,171)	(9,815,420)	(31,356,803)	(6,644,404)
Payments to employees	(11,473,898)	(711,725)	(1,397,600)	(1,104,214)	(14,687,437)	-
Net cash provided by (used) operating activities	<u>16,483,556</u>	<u>2,174,914</u>	<u>3,942,376</u>	<u>2,675,200</u>	<u>25,276,046</u>	<u>(71,740)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>						
Transfers from other funds	161,414	131,108	105,080	-	397,602	-
Transfers to other funds	(2,538,601)	(251,309)	(382,631)	(331,435)	(3,503,976)	-
Interfund loans	147,043	12,626	3,234	(3,771)	159,132	-
Regulatory liability acquisition	-	-	-	463,046	463,046	-
Net cash provided (used) by noncapital financing activities	<u>(2,230,144)</u>	<u>(107,575)</u>	<u>(274,317)</u>	<u>127,840</u>	<u>(2,484,196)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Purchase of property and equipment	(4,977,362)	(914,381)	(10,882,635)	(912,183)	(17,686,561)	-
Proceeds from sale of property and equip.	75,901	-	1,395	2,396	79,692	-
Proceeds from capital grant	744,884	84,337	-	-	829,221	-
Principal payments on capital debt	(2,907,048)	(737,412)	(1,210,540)	-	(4,855,000)	-
Interest paid on capital debt	(2,372,509)	(113,967)	(1,267,125)	-	(3,753,601)	-
Increase in fly ash liability	26,990	-	-	-	26,990	-
Net cash used by capital and related financing activities	<u>(9,409,144)</u>	<u>(1,681,423)</u>	<u>(13,358,905)</u>	<u>(909,787)</u>	<u>(25,359,259)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
(Increase) decrease in investments	(6,445,000)	-	6,645,000	(500,000)	(300,000)	(250,000)
Interest received on investments	302,296	39,816	298,049	54,785	694,946	54,800
Net cash provided (used) by investing activities	<u>(6,142,704)</u>	<u>39,816</u>	<u>6,943,049</u>	<u>(445,215)</u>	<u>394,946</u>	<u>(195,200)</u>
Increase (decrease) in cash and cash equivalents	(1,298,436)	425,732	(2,747,797)	1,448,038	(2,172,463)	(266,940)
Cash and cash equivalents - beginning of the year	13,022,145	2,842,432	9,002,646	2,713,459	27,580,682	3,178,138
Cash and cash equivalents - end of the year	<u>\$ 11,723,709</u>	<u>\$ 3,268,164</u>	<u>\$ 6,254,849</u>	<u>\$ 4,161,497</u>	<u>\$ 25,408,219</u>	<u>\$ 2,911,198</u>
<b>Composition of cash and cash equivalents:</b>						
Cash and cash equivalents	\$ 10,045,675	\$ 3,183,516	\$ 3,592,737	\$ 4,161,497	\$ 20,983,425	\$ 2,853,589
Restricted cash and cash equivalents	1,678,034	84,648	2,662,112	-	4,424,794	57,609
Total cash and cash equivalents	<u>\$ 11,723,709</u>	<u>\$ 3,268,164</u>	<u>\$ 6,254,849</u>	<u>\$ 4,161,497</u>	<u>\$ 25,408,219</u>	<u>\$ 2,911,198</u>

See notes to financial statements

**CITY OF FREMONT, NEBRASKA**  
**Statement of Cash Flows – Proprietary Funds - Continued**  
**For the Year Ended September 30, 2020**

	<u>Enterprise Funds</u>		<u>Enterprise Funds</u>		<u>Total</u>	<u>Internal</u>
	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>		<u>Service</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		<u>Fund</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>						
Operating income	\$ 9,138,549	\$ 1,365,154	\$ 2,359,274	\$ 2,227,456	\$ 15,090,433	\$ 390,233
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation and amortization expense	7,866,555	1,060,524	1,707,711	1,090,671	11,725,461	-
Change in assets and liabilities:						
Accounts receivable and unbilled revenue	(776,204)	(229,629)	(137,542)	(641,451)	(1,784,826)	-
Inventories	(155,620)	33,944	369	50,045	(71,262)	-
Prepaid expenses	432	(351)	(351)	(961)	(1,231)	-
Accounts payable	85,080	(48,220)	(9,116)	7,557	35,301	(57,334)
Accrued payroll	192,788	5,696	27,021	18,699	244,204	-
Accrued compensated absences	125,643	(5,615)	(4,990)	(76,408)	38,630	-
Other accrued expenses	(30,099)	(6,589)	-	(408)	(37,096)	-
Unearned revenue	(28,370)	-	-	-	(28,370)	-
Customer deposits	63,754	-	-	-	63,754	-
Claims liability	1,048	-	-	-	1,048	(404,639)
Net cash provided (used) by operating activities	<u>\$ 16,483,556</u>	<u>\$ 2,174,914</u>	<u>\$ 3,942,376</u>	<u>\$ 2,675,200</u>	<u>\$ 25,276,046</u>	<u>\$ (71,740)</u>
<b>Supplemental Cash Flows Information</b>						
Payables incurred for acquisition of capital assets	\$ 356,516	\$ 208,783	\$ 3,692,837	\$ -	\$ 4,258,136	\$ -
Capital contributions, net	\$ -	\$ 677,380	\$ 514,005	\$ -	\$ 1,191,385	\$ -
Amortization of bond premium/discount, net	\$ 136,664	\$ 4,367	\$ 48,654	\$ -	\$ 189,685	\$ -

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, 2020**

**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; 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, 2020**

**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*

The Capital Project Fund is 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, 2020**

**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>	<b><u>Fund</u></b>	<b><u>Brief Description</u></b>
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, 2020**

**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.

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

**3. Measurement Focus and Basis of Accounting, continued**

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

Proprietary Funds 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, liabilities and deferred inflows/outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Investments**

For the purpose of the Statement of Net Position, "cash and cash equivalents" include all demand accounts, savings accounts and an external investment pool. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all cash on hand, demand accounts, savings accounts, and equity in pooled cash which has an original maturity of three months or less. The County Treasurer's cash represents revenues collected not yet remitted to the City by the Dodge County Treasurer's office.

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

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

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

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

**Receivables**

Receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include special assessments and property taxes. Business-type activities report utility billings as their major receivables.

**Notes Receivable**

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

**Due from Other Governments**

The total due from other governments includes the following amounts:

<u>Fund</u>	<u>Amount</u>	<u>Service</u>
General	\$ 144,692	CDBG grant reimbursement, SRO and interlocal reimbursement, Library Commission
Sales tax	1,465,465	Sales Tax
CDBG fund	989	Grant reimbursement
Airport fund	307,337	Project reimbursement from State
Enhanced 911	<u>58,921</u>	Interlocal reimbursement
Governmental Total	<u>\$1,977,404</u>	
Electric	<u>\$ 140,806</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.

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

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

Inventories consist of the following at September 30, 2020:

	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Gas</u>	<u>Total</u>
Coal	\$ 3,450,350	\$ -	\$ -	\$ -	\$ 3,450,350
Natural Gas	-	-	-	530,468	530,468
Production Supplies	3,522,760	229,537	129,185	104,761	3,986,243
Distribution Supplies	2,028,527	-	-	506,590	2,535,117
Other	340,735	-	-	-	340,735
	<u>\$ 9,342,372</u>	<u>\$ 229,537</u>	<u>\$ 129,185</u>	<u>\$ 1,141,819</u>	<u>\$ 10,842,913</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.

**Regulatory Assets**

Rates for the City's regulated operations are established and approved by the Utility and Infrastructure Board and City Council. The City applies the regulated operations provisions of GASB Codification Section Re10, *Regulated Operations*, which provide for the deferral of expenses which are expected to be recovered through customer rates over some future period (regulatory assets) and reductions in earnings to cover future expenditures (regulatory liabilities). Regulatory assets are included in other noncurrent assets on the Statement of Net Position and are being amortized in future rate periods when such costs are included in the revenue requirements to establish electric and gas rates.

**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 acquisition value at the date of donation. The City has elected the depreciation approach for reporting infrastructure.

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

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

**Capital Assets - Continued**

*Government-wide Statements - Continued*

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.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The City has three items that qualify for reporting in this category: (1) Unavailable revenue received after the availability period. This includes property taxes plus other local taxes and fees received after 60 days. They are reported as deferred inflows on the governmental funds balance sheet and will be recognized as revenue next year. (2) Unavailable revenue relating to loans. (3) Deferred gain on refunding reported in the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

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

**Compensated Absences**

City employees earn sick leave at the rate of 3.70 to 8.31 hours per biweekly pay period, depending on their hire date. Half-time and three-quarter time employees receive applicable percentages of these same rates. Vacation and sick leave hours are accumulated on a biweekly basis and are fully vested when earned. Limitations on accumulated sick leave vary based on labor agreements, but in no case will accumulated sick leave payout exceed 50% of the accumulated balance, up to 1,116 hours. Accumulated vacation limitations vary from 240 to 304 hours depending on the applicable labor agreement. All accumulated vacation and sick leave, subject to limitations noted, is paid at separation.

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

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

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

In government-wide and proprietary financial statements, outstanding debt is reported as a liability. Bond discounts or premiums are capitalized and amortized over the life of the respective bonds. The long-term debt consists primarily of bonds payable, and lease 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.

**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.

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

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

**Net Position Flow Assumption**

*Government-wide Statements*

Net position is classified and displayed in three components:

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

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

**Fund Balance Flow Assumption**

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

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

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

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

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

**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**

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 2019-2020 are recorded as revenue when expected to be collected within 60 days after September 30, 2020. Prior-year levies were recorded using these same principles, and remaining receivables are re-evaluated annually. Property taxes expected to be collected after 60 days are recorded as unavailable revenue on the fund balance sheets.

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

**Operating Revenues and Expenses**

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

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

**Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character and function

Proprietary fund – by operating and non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

**Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity is classified as transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**1. Fund Accounting Requirements**

The City complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include: General, Special Revenue, Capital Project 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 \$293,978 was covered by collateral held by the County.

**3. Revenue Restrictions**

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

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED**

**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, 2020**

**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, 2020, the bank balance of the City's deposits and investments were fully-insured or collateralized.

Reconciliation to Government-wide Statement of Net Position:

Cash and cash equivalents –	
Unrestricted	\$ 44,347,495
Restricted	4,482,403
Investments –	
Unrestricted	31,515,491
Restricted	<u>11,990,509</u>
Total	<u>\$92,335,898</u>

Investments and cash equivalents consist of the following:

Certificates of deposit	\$43,506,000
Deposit accounts and cash on hand	45,718,552
External investment pool	<u>3,111,346</u>
Total	<u>\$92,335,898</u>

The majority of the business-type restricted net position, \$12,079,715, relates to debt service reserves required by bond agreements. The remaining \$818,286 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 (74.3 percent), waste transfer station (11.1 percent), cable franchise tax (7.8 percent), keno proceeds (3.2 percent), fees assessed (2.9 percent), and other (0.7 percent) receivables. Receivables detailed at September 30, 2020, are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Accounts receivable	\$ 856,301	\$ 4,790,182	\$ 5,646,483
Allowance for doubtful accounts	<u>(368,852)</u>	<u>(376,772)</u>	<u>(745,624)</u>
Net accounts receivable	<u>\$ 487,449</u>	<u>\$ 4,413,410</u>	<u>\$ 4,900,859</u>

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

**3. Notes Receivable**

<u>Company</u>	<u>Loan Amount</u>	<u>Date</u> <u>Issued</u>	<u>Interest</u>	<u>Type</u>	<u>Balance</u>
<u>Sales Tax Fund (LB840):</u>					
Structural Component Systems	\$ 200,000	5/13/2015	0%	Repayable	\$ 6,667
Heartland Area Accessories	150,000	10/17/2016	0%	Performance Based	60,000
Pearl Academy	35,560	9/6/2018	2%	Repayable	20,601
Pearl Academy	35,561	9/6/2018	0%	Performance Based	21,337
Legacy Post & Beam	60,000	6/12/2018	0%	Performance Based	30,000
.402 Sports & Entertainment	250,000	1/2/2019	0%	Performance Based	150,000
Costco	1,000,000	7/22/2019	0%	Performance Based	800,000
505 Brewing Company	165,000	12/9/2019	0%	Performance Based	165,000
Summit Medical Staffing	50,000	7/2/2020	3%	Repayable	49,102
Summit Medical Staffing	50,000	7/2/2020	0%	Performance Based	50,000
Total Sales Tax Fund					1,352,706
<u>Weatherization EDA (HUD) Fund:</u>					
Interest bearing notes	\$ 178,465	Various	1-5%	Repayable	95,404
Non-interest bearing notes	1,111,636	Various	0%	Forgiveable	362,264
					457,668
<u>Downtown Revitalization Loans (included in Weatherization Fund):</u>					
Non-interest bearing notes	\$ 325,000	Various	0%	Forgiveable	138,455
Total Weatherization Fund					596,123
<u>Economic Enhancement Fund:</u>					
Costco	\$ 175,000	7/22/2019	0%	Performance Based	140,000
Costco	175,000	7/22/2020	0%	Performance Based	175,000
Total Economic Enhancement Fund					315,000
Total Notes Receivable					\$2,263,829

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

**4. Capital Assets**

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance at October 1, 2019	Additions	Disposals	Transfers	Balance at September 30, 2020
<b><u>Governmental Activities:</u></b>					
Capital assets not being depreciated:					
Land	\$ 7,390,582	\$ 40,062	\$ (312,018)	\$ 55,084	\$ 7,173,710
Construction in progress	8,788,104	7,686,920	-	(7,581,766)	8,893,258
Total capital assets not being depreciated	16,178,686	7,726,982	(312,018)	(7,526,682)	16,066,968
Other capital assets being depreciated:					
Infrastructure	42,824,248	1,787,395	-	7,137,123	51,748,766
Buildings and improvements	17,042,514	347,655	(30,689)	-	17,359,480
Machinery and equipment	12,941,914	815,622	(205,279)	389,559	13,941,816
Total other capital assets at historical cost	72,808,676	2,950,672	(235,968)	7,526,682	83,050,062
Less accumulated depreciation for:					
Infrastructure	(14,036,496)	(1,237,654)	-	-	(15,274,150)
Buildings and improvements	(9,064,111)	(425,810)	9,207	-	(9,480,714)
Machinery and equipment	(8,103,411)	(955,640)	205,279	-	(8,853,772)
Total accumulated depreciation	(31,204,018)	(2,619,104) *	214,486	-	(33,608,636)
Other capital assets, net	41,604,658	331,568	(21,482)	7,526,682	49,441,426
Governmental activities capital assets, net	<u>\$ 57,783,344</u>	<u>\$ 8,058,550</u>	<u>\$ (333,500)</u>	<u>\$ -</u>	<u>\$ 65,508,394</u>

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

**General Fund**

General government	\$ 100,087
Public safety:	
Police	247,341
Fire	253,987
E911	97,509
Civil Service	740
Total public safety	<u>599,577</u>

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

**4. Capital Assets, Continued**

General Fund, Continued

Public works:

Civil Engineering	\$ 127,362
Streets	<u>1,161,230</u>
Total public works	<u>1,288,592</u>

Environment and leisure:

Culture and recreation	466,441
Airport	<u>164,407</u>
Total environment and leisure	<u>630,848</u>

Total governmental activities depreciation expense \$ 2,619,104

	<b>Balance at October 1, 2019</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at September 30, 2020</b>
<b><u>Business-type Activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 5,052,174	\$ -	\$ -	\$ 5,052,174
Construction in progress	<u>31,162,714</u>	<u>11,075,550</u>	<u>-</u>	<u>42,238,264</u>
Total capital assets not being depreciated	36,214,888	11,075,550	-	47,290,438
Other capital assets being depreciated:				
Distribution systems, buildings, and equipment	312,800,735	4,712,040	(360,572)	317,152,203
Machinery and equipment	18,583,019	638,353	(114,870)	19,106,502
Office furniture and equipment	2,648,816	340,064	(54,628)	2,934,252
Vehicles	<u>6,358,801</u>	<u>1,129,379</u>	<u>(381,886)</u>	<u>7,106,294</u>
Total other capital assets at historical cost	340,391,371	6,819,836	(911,956)	346,299,251
Less accumulated depreciation for:				
Distribution systems, buildings, and equipment	(150,073,488)	(7,873,355)	110,490	(157,836,353)
Machinery and equipment	(13,464,960)	(813,458)	107,743	(14,170,675)
Office furniture and equipment	(2,347,697)	(143,171)	54,628	(2,436,240)
Vehicles	<u>(3,682,019)</u>	<u>(439,163)</u>	<u>381,886</u>	<u>(3,739,296)</u>
Total accumulated depreciation	<u>(169,568,164)</u>	<u>(9,269,147) *</u>	<u>654,747</u>	<u>(178,182,564)</u>
Other capital assets, net	<u>170,823,207</u>	<u>(2,449,311)</u>	<u>(257,209)</u>	<u>168,116,687</u>
Business-type activities capital assets, net	<u>\$ 207,038,095</u>	<u>\$ 8,626,239</u>	<u>\$ (257,209)</u>	<u>\$ 215,407,125</u>

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

**4. Capital Assets, Continued**

\* Depreciation expense was charged to functions as follows:

Electric	\$ 5,915,814
Water	1,060,524
Sewer	1,707,712
Gas	<u>585,097</u>
Business-type activities depreciation expense	<u>\$ 9,269,147</u>

**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, 2020:

	<b>Balance at October 1, <u>2019</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance at September 30, <u>2020</u></b>	<b>Amounts Due Within <u>One Year</u></b>
<b>Governmental Activities:</b>					
Compensated absences	\$ 1,328,129	\$ 1,093,947	\$ (982,272)	\$ 1,439,804	\$ 760,440
Bonds payable	2,185,000	-	(305,000)	1,880,000	320,000
Lease payable - direct borrowing	930,341	-	(222,508)	707,833	229,096
<b>Total</b>	<b><u>\$ 4,443,470</u></b>	<b><u>\$ 1,093,947</u></b>	<b><u>\$ (1,509,780)</u></b>	<b><u>\$ 4,027,637</u></b>	<b><u>\$ 1,309,536</u></b>
<b>Business-type Activities:</b>					
Bonds payable	\$ 97,170,000	\$ -	\$ (4,855,000)	\$ 92,315,000	\$ 4,745,000
Unamortized bond premium	2,767,769	-	(192,481)	2,575,288	-
Unamortized bond discount	(37,738)	-	2,796	(34,942)	-
<b>Total bonds payable</b>	<b><u>99,900,031</u></b>	<b><u>-</u></b>	<b><u>(5,044,685)</u></b>	<b><u>94,855,346</u></b>	<b><u>4,745,000</u></b>
Compensated absences	1,528,795	1,170,578	(1,131,949)	1,567,424	775,456
Fly ash liability	154,724	26,990	-	181,714	-
<b>Total</b>	<b><u>\$ 101,583,550</u></b>	<b><u>\$ 1,197,568</u></b>	<b><u>\$ (6,176,634)</u></b>	<b><u>\$ 96,604,484</u></b>	<b><u>\$ 5,520,456</u></b>

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

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

Annual debt service requirements to maturity, including principal and interest, for long-term debt as of September 30, 2020 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>
2021	\$ 320,000	\$ 35,150	\$ 4,745,000	\$ 3,639,120
2022	330,000	30,510	4,845,000	3,453,848
2023	340,000	25,230	4,925,000	3,292,288
2024	335,000	19,110	4,885,000	3,119,420
2025	355,000	12,410	4,905,000	2,911,490
2026-2030	200,000	4,600	25,595,000	11,801,605
2031-2035	-	-	26,615,000	6,200,376
2036-2039	-	-	15,800,000	1,276,000
	<u>\$ 1,880,000</u>	<u>\$ 127,010</u>	<u>\$ 92,315,000</u>	<u>\$ 35,694,147</u>

**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 \$780,109. 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, 2020:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>
2021	\$ 250,048
2022	250,048
2023	250,047
Total minimum lease payments	750,143
Less amount representing interest	42,310
Total principal obligation under capital lease (rate of interest 2.96%)	<u>\$ 707,833</u>

As of September 30, 2020, 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>
<b>Governmental Activities:</b>					
General Obligation Refunding Bonds for swimming pool	08/01/2017	08/01/2026	08/01/2022	1.10 – 2.30%	\$ 1,880,000
Capital lease obligation	11/01/2016	11/01/2023	N/A	2.90%	<u>707,833</u>
Total Governmental Activities					<u>\$ 2,587,833</u>

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

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

**Lease Purchase Contract Payable - Continued**

	<u>Date Issued</u>	<u>Date of Maturity</u>	<u>Date Callable</u>	<u>Interest Rates</u>	<u>Balance</u>
<b>Business-type Activities:</b>					
Combined Utilities revenue refunding bonds Series 2018	12/11/2018	11/15/2038	09/15/2023	3.375 – 5.00%	\$38,900,000
Combined Utilities revenue refunding bonds Series 2016	09/01/2016	09/01/2024	09/01/2021	0.85 – 1.80%	1,190,000
Combined Utilities revenue bonds Series 2015	05/15/2015	08/15/2023	05/05/2020	0.25 – 2.15%	850,000
Combined Utilities revenue refunding bonds Series 2014A	06/03/2014	09/01/2028	06/03/2019	0.03 – 3.40%	1,455,000
Combined Utilities revenue bonds Series 2014B (Mandatory redemptions After 01/15/2029)	07/29/2014	07/15/2034	07/29/2021	2.00 – 5.00%	29,350,000
Combined Utilities revenue bonds Series 2013	08/30/2013	07/15/2033	08/30/2018	0.30 – 4.50%	6,720,000
Combined Utilities revenue refunding bonds Series 2012	03/06/2012	10/15/2026	03/06/2022	0.35 – 4.00%	<u>13,850,000</u>
Total Business-type Activities					<u>\$92,315,000</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, 2020, the City had incurred a liability of \$181,714 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.

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

**8. Tax Increment Financing Notes and Bonds**

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, 2020 were \$3,061,952.

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

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

**9. Interfund Transactions and Balances**

At September 30, 2020 were the following due from/to other funds:

Purpose	Receivable Fund	Payable Fund	Amount
City's share of communication center operations	E911	General	\$ 106,023
Payment for service provided	Electric	General	32,575
Payment for service provided	Water	General	4,410
Payment for service provided	Sewer	General	1,797
Payment for service provided	Gas	General	766
Capital expenditures	General	Sales Tax	253,259
Capital expenditures	Street	Sales Tax	309,273
Service cash flow needs	General	Street	2,000,000
Reimburse shared expenses and payment for service provided	Electric	Street	2,429
Payment for service provided	Water	Street	77
Payment for service provided	Sewer	Street	12
Payment for service provided	Gas	Street	50
South Broad Street TIF	General	Community Development Agency	394,662
Service cash flow needs	General	Airport	20,000
South Hangar complex reimbursement	Sales Tax	Airport	121,498
Payment for service provided	Electric	Airport	892
Payment for service provided	Gas	Airport	4
Service cash flow needs	General	CDBG	29,000
Service cash flow needs	General	E911	200,000
Reimburse Shared Services	General	Electric	121,057
Reimburse Shared Services	General	Water	7,817
Reimburse Shared Services	General	Sewer	7,817
Reimburse Shared Services	General	Gas	15,634
Reimburse payment for service provided	Street	Water	2,418
Reimburse payment for service provided	Street	Sewer	340
Reimburse payment for service provided	Street	Gas	487
Payment for service provided	Electric	Electric	5,821
Payment for service provided	Electric	Water	43,317
Payment for service provided	Electric	Sewer	21,241
Payment for service provided	Electric	Gas	94
Payment for service provided	Water	Electric	2,089
Payment for service provided	Water	Sewer	11
Payment for service provided	Sewer	Electric	1,758
Payment for service provided	Sewer	Water	2
Payment for service provided	Gas	Electric	5,956
Payment for service provided	Gas	Water	8

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

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

Operating transfers:

	<u>Purpose</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:			
Sales tax	Property tax relief; operating transfers; capital projects	\$ 4,169,283	\$ -
Keno	Property tax relief	350,002	-
Airport	Capital project	-	(112,064)
CDBG	Deobligation of funds	26,017	-
Drug task force	City's share of multi-jurisdictional task force	7,233	-
Electric	Utility transfer in; expense reimbursement for IT purchases	2,488,600	(161,414)
Water	Utility transfer in	251,310	-
Sewer	Utility transfer in	382,631	-
Gas	Utility transfer in	281,435	-
	<b>Total General fund</b>	<b><u>7,956,511</u></b>	<b><u>(273,478)</u></b>
Street fund:			
Sales tax	Various street improvement projects; drainage improvements: reimburse property insurance	<u>1,721,918</u>	-
	<b>Total Street fund</b>	<b><u>1,721,918</u></b>	<b><u>-</u></b>
Sales tax fund:			
General	Property tax relief; operating transfers; capital projects	-	(4,169,283)
Street	Various street improvement projects; drainage improvements: reimburse property insurance	-	(1,721,918)
Special projects	Trail improvements	-	(28,853)
Water	Infrastructure debt service contribution	-	(131,108)
Sewer	Infrastructure debt service contribution	-	(105,080)
	<b>Total Sales tax fund</b>	<b><u>-</u></b>	<b><u>(6,156,242)</u></b>
Non-major funds			
	Economic development – electric and gas to economic enhancement	100,000	-
	Others see above	28,853	(383,252)
	Airport - capital projects	112,064	-
	<b>Total non-major funds</b>	<b><u>240,917</u></b>	<b><u>(383,252)</u></b>
Enterprise funds	See above	<u>397,602</u>	<u>(3,503,976)</u>
	<b>Total operating transfers</b>	<b><u>\$ 10,316,948</u></b>	<b><u>\$ (10,316,948)</u></b>

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

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

**10. Deficit Fund Balance**

At September 30, 2020 the CDBG Fund had a deficit balance of \$2,871, the Airport Fund had a \$235,590 deficit balance and the Community Development Agency Fund had a deficit balance of \$209,976. Some of the deficits will be offset by the unearned revenue as it is earned in future years. The Community Development Agency also has the right to levy taxes to eliminate a deficit; however, no decision to levy taxes has been made.

**NOTE D – OTHER NOTES**

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

The City participates in four 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 \$753,966 and \$890,824, respectively, as required by the plan for the fiscal year ended September 30, 2020. Forfeitures used to reduce employer contributions as allowed under the Plan were \$24,332. 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 \$190,343 and \$190,343, respectively, as required by the Plan for the fiscal year ended September 30, 2020. Forfeitures used to reduce employer contributions as allowed under the Plan were \$8,479. 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, 2020**

**NOTE D – OTHER NOTES, CONTINUED**

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

**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 \$117,073 and \$234,145, respectively, as required by the Plan for the fiscal year ended September 30, 2020. Forfeitures used to reduce employer contributions as allowed under the Plan were \$3. The Plan is administered by a trustee independent of the City and is, therefore, not included in these financial statements

**Deferred Compensation Plan**

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

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 \$326,386 and the City contributed \$0 under the plan for the year ended September 30, 2020.

**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 255 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 \$177,785. 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 \$10,146. This has been included as a current year expenditure. For all of the self-insured funds, an unrestricted net position of \$6,398,741 was in the Internal Service Fund at September 30, 2020.

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE D – OTHER NOTES, Continued**

**2. Risk Management, continued**

Claim Liability at 10/1/2019	\$ 592,570
Claims Incurred during current year	4,524,137
Claims Paid during Current Year	(4,928,776)
Claim Liability at 9/30/2020	<u>\$ 187,931</u>

**Deposits and Investments**

**Concentration of Credit Risk.** The City's deposits and investment policy places no limit on the amount that may be invested in any one issuer. At September 30, 2020, the City's investments consisted of certificates of deposit at the following institutions:

<u>Financial Institution</u>	<u>Amount</u>
Pinnacle Bank/Fremont	\$ 22,281,000 *
First National Bank - Fremont	2,525,000 *
First State Bank	2,000,000
Cornerstone Bank, Columbus	9,700,000 *
Nebraska Public Agency Investment Trust	7,000,000 *
Totals	<u>\$ 43,506,000</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, 2020.

**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, 2020 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 2020	\$ 4,025,000
December 2020	9,150,000
January 2021	200,000
March 2021	9,750,000
May 2021	150,000
June 2021	2,150,000
July 2021	50,000
August 2021	6,850,000
September 2021	7,731,000
Due in more than 12 months	3,450,000
	<u>\$ 43,506,000</u>

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

**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.

The external investment pool is comprised of funds held with the Nebraska Public Agency Investment Trust (NPAIT). Funds held with NPAIT are invested in only the highest quality securities, including U.S. government, rated U.S. sponsored agencies, and guaranteed student loans. The City is able to redeem funds held by NPAIT at any time.

**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 9/30/2020</u>	<u>Obligation Pending</u>	<u>Expected Completion</u>
<u>Governmental:</u>				
Pierce Street Reconstruction	\$ 23,590	\$ 2,700	\$ 20,890	September 30, 2022
Luther Road Widening, Military-23rd	95,900	76,161	19,739	September 30, 2025
1st Street, Bell-Luther	78,500	72,630	5,870	September 30, 2025
32nd St Paving Improvements	82,330	76,910	5,420	September 30, 2023
Rawhide Creek Trail	228,241	77,460	150,781	September 30, 2022
Luther Road South Paving	387,868	107,486	280,382	September 30, 2021
Airport Aircraft Apron	2,447,794	2,030,342	417,452	June 30, 2021
Airport Terminal Building	160,000	64,000	96,000	July 31, 2022
City Auditorium Remodel	3,058,867	2,937,561	121,306	March 31, 2021
Southeast Beltway	30,000,000	27,833,333	2,166,667	September 30, 2022
911 VIPER Upgrade	124,535	-	124,535	February 28, 2021
FFRDD Levee Repairs 2019	79,400	1,558	77,842	September 30, 2022
<u>Enterprise Funds:</u>				
69kV Joint Transmission Line	19,507,091	15,243,363	4,263,728	September 30, 2021
WWTP Upgrade	48,571,386	40,122,807	8,448,579	June 30, 2021
SCADA control system	2,253,883	1,340,622	913,261	September 30, 2022
Roadway Subdivision Water Main	29,000	14,473	14,527	September 30, 2021
Water main casing under Hwy 77	896,800	587,120	309,680	June 30, 2021
Municipal Building Elevator ADA	950,068	322,175	627,893	September 30, 2021
Coal Handling Rail Extension	128,132	95,622	32,510	May 31, 2022
LDW Rail Track Extension	635,288	624,999	10,289	September 30, 2021
Substation H	273,996	235,269	38,727	September 30, 2021
Hyster J40XNT Forklift	31,487	-	31,487	December 31, 2020
2021 FRT1145D Truck	144,952	-	144,952	January 31, 2021
	<u>\$ 110,189,107</u>	<u>\$ 91,866,591</u>	<u>\$ 18,322,516</u>	

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

**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, 2020 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 statement of net position 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 January 28, 2020, the Electric Department entered into an agreement with Navajo Transitional Energy Company, effective January 1, 2020 through December 31, 2021. Under the terms of the agreement, the City must purchase 225,000 tons of coal at an agreed-upon base price per ton each year, which will be adjusted each month for any variation in the Base Btu. As of September 30, 2020, the City had purchased 222,536 of the tons required under this contract.

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE D – OTHER NOTES, CONTINUED**

**3. Commitments and Contingencies, Continued**

**Electric Department, continued,**

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

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

**Gas Department**

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

The Gas Department entered into an agreement to purchase natural gas from BP Canada Energy Marketing Corp. on September 18, 2012. The agreement was extended in June 2016, effective through October 31, 2020 and extended again April 1, 2020 through March 31, 2023. The agreement stipulates the volume of maximum daily quantity purchases which varies depending on the month of the purchase. The price is based on the monthly index published inside the Federal Energy Regulatory Commission (FERC) Gas Market Report.

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

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

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

**NOTE D – OTHER NOTES, CONTINUED**

**4. Major Customers**

The City has three major customers for the year ended September 30, 2020 as follows:

	Electric Revenue (% of TBR)	Water Revenue (% of TBR)	Sewer Revenue (% of TBR)	Gas Revenue (% of TBR)	Total Revenue (% of TBR)
Customer A	\$3,411,426 7.9%	\$496,648 10.7%	\$2,771,816 37.8%	\$1,822,804 13.1%	\$8,502,695 12.3%
Customer B	\$3,378,029 7.9%	\$476,332 10.2%	\$797,626 10.9%	\$1,350,016 9.7%	\$6,002,003 8.7%
Customer C	\$1,458,922 3.4%	\$ 58,384 1.3%	\$ 40,607 0.6%	\$1,579,950 11.3%	\$3,137,863 8.7%
Total billed revenue (TBR)	\$42,962,920	\$4,658,047	\$7,334,641	\$13,940,887	\$68,896,495

These customers maintain a current status on their accounts.

**5. Union Contracts**

The City is subject to the following union contracts:

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

**6. COVID-19**

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, result of operations and cash flows of the City. The duration of the uncertainties and ultimate financial effects cannot be reasonably estimated at this time.

**7. Subsequent Events**

On November 16, 2020 the City entered into a Precedent Agreement with Northern Natural Gas for firm transmission service to the City of 2,849 (Dth/day) for November through March 31 annually beginning on November 1, 2022 and ending October 31, 2029. This agreement requires a Contribution in Aid of Construction estimated at \$1,765,987 for improvement to the West Leg 2022 Expansion.

**CITY OF FREMONT, NEBRASKA**  
**Notes to Financial Statements**  
**September 30, 2020**

**7. Subsequent Events - Continued**

During February 2021, a polar vortex resulted in persistent and extreme cold weather that covered most of the United States, including the midwest. This weather event led to an increase in energy demand while generating facilities faced fuel-supply issues and equipment failures that stressed the bulk electric system. As a result, Southwest Power Pool (SPP) declared an Energy Emergency Alert Level 3, signaling that operating reserves were below the required minimum, and member utilities were asked to implement controlled service interruptions. The market experienced extreme price volatility for utilities buying or selling energy during this weather event. The City is currently evaluating the effects of this situation and the ultimate impact on the financial statements cannot reasonably be estimated at this time.

**Long-term Debt**

On November 5, 2020, the City issued Combined Utilities Revenue Refunding Bonds Series 2020 totaling \$7,445,000 that refunded the Series 2013 and 2014A Bonds Outstanding of \$6,720,000 and \$1,455,000 respectively. The Refunding Bonds will mature July 15, 2033 with an optional redemption on or after November 5, 2025. Interest rates range from 1.10 – 5.0%.

On December 10, 2020, the City issued General Obligation Highway Allocation Pledge Bonds Series 2020 totaling \$7,585,000 maturing December 15, 2027 with interest rates ranging from 1.25% - 2.00%. The Bond issue has an optional redemption on or after December 15, 2025. The Bonds were issued to contribute to the Nebraska Department of Transportation SE Beltway Project connecting US Highway 77 and US Highway 275 to the southeast of Fremont.

On December 23, 2020, the City issued General Obligation Bonds Series 2020 totaling \$2,000,000 maturing on December 15, 2030 with interest rates ranging from 0.35 – 1.65%. This Bond issue has an optional redemption on or after December 23, 2025. This voter-approved bond issue provided funding for renovations at the City's Auditorium facility.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FREMONT, NEBRASKA**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended September 30, 2020**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Variances - Actual Over (Under) Final Budget</b>
<b>RESOURCES (INFLOWS)</b>			
Taxes:			
Property	\$ 6,045,466	\$ 5,956,491	\$ (88,975)
Payments in lieu of taxes	9,000	2,885	(6,115)
Franchise	275,000	299,712	24,712
Business	1,646,500	1,767,798	121,298
Intergovernmental	1,526,658	1,017,733	(508,925)
Charges for services	3,037,619	3,063,957	26,338
Donations	617,000	778	(616,222)
Interest income	200,000	308,563	108,563
Other	<u>3,205,000</u>	<u>37,429</u>	<u>(3,167,571)</u>
Total resources	<u>16,562,243</u>	<u>12,455,346</u>	<u>(4,106,897)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	5,781,425	5,558,270	(223,155)
Public safety	11,946,707	9,284,309	(2,662,398)
Public works	656,812	424,043	(232,769)
Environment and leisure	10,846,974	5,866,767	(4,980,207)
Employee insurance	<u>352,000</u>	<u>354,298</u>	<u>2,298</u>
Total charges to appropriations	<u>29,583,918</u>	<u>21,487,687</u>	<u>(8,096,231)</u>
Resources over (under) charges to appropriations	<u>(13,021,675)</u>	<u>(9,032,341)</u>	<u>3,989,334</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	8,720,718	5,786,315	(2,934,403)
Transfers out	<u>(1,606,750)</u>	<u>(273,478)</u>	<u>1,333,272</u>
Net transfers	<u>7,113,968</u>	<u>5,512,837</u>	<u>(1,601,131)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (5,907,707)</u>	<u>\$ (3,519,504)</u>	<u>\$ 2,388,203</u>

**CITY OF FREMONT, NEBRASKA**  
**Budgetary Comparison Schedule – Street Fund**  
**For the Year Ended September 30, 2020**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Variances - Actual Over (Under) Final Budget</b>
<b>RESOURCES (INFLOWS)</b>			
Motor vehicle tax	\$ 600,000	\$ 618,785	\$ 18,785
Intergovernmental	3,604,495	4,172,292	567,797
Charges for services	40,000	53,293	13,293
Interest income	84,000	128,308	44,308
Other income	<u>8,000,000</u>	<u>7,107,607</u>	<u>(892,393)</u>
Total resources	12,328,495	12,080,285	(248,210)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
Public works	<u>24,179,798</u>	<u>20,260,172</u>	<u>(3,919,626)</u>
Resources over (under) charges to appropriations	<u>(11,851,303)</u>	<u>(8,179,887)</u>	<u>3,671,416</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>7,903,000</u>	<u>1,668,129</u>	<u>(6,234,871)</u>
Net transfers	<u>7,903,000</u>	<u>1,668,129</u>	<u>(6,234,871)</u>
<b>RESOURCES AND OTHER FINANCING SOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS</b>	<u>\$ (3,948,303)</u>	<u>\$ (6,511,758)</u>	<u>\$ (2,563,455)</u>

**CITY OF FREMONT, NEBRASKA**  
**Budgetary Comparison Schedule – Sales Tax Fund**  
**For the Year Ended September 30, 2020**

	<b>Budget (Original and Final)</b>	<b>Actual</b>	<b>Variances - Actual Over (Under) Final Budget</b>
<b>RESOURCES (INFLOWS)</b>			
Sales tax	\$ 7,200,000	\$ 8,290,886	\$ 1,090,886
Charges for services	19,800	17,707	(2,093)
Interest income	62,800	70,440	7,640
Other income	44,000	390,670	346,670
Loan repayment proceeds	-	1,586,811	1,586,811
	<u>7,326,600</u>	<u>10,356,514</u>	<u>3,029,914</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>			
General government	<u>2,022,600</u>	<u>1,964,898</u>	<u>(57,702)</u>
Resources over (under) charges to appropriations	5,304,000	8,391,616	3,087,616
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(8,909,107)</u>	<u>(6,213,802)</u>	<u>2,695,305</u>
<b>RESOURCES OVER (UNDER) CHARGES TO APPROPRIATIONS AND OTHER FINANCING USES</b>	<u><u>\$ (3,605,107)</u></u>	<u><u>\$ 2,177,814</u></u>	<u><u>\$ 5,782,921</u></u>

**CITY OF FREMONT, NEBRASKA**  
**Budgetary Comparison Schedule**  
**Note to Required Supplementary Information**  
**For the Year Ended September 30, 2020**

**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, 2020, which discloses the nature and amount of the adjustments necessary to convert the modified accrual data to the budgetary basis, is presented below:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Sales Tax Fund</u>
<b>Sources/inflows of resources:</b>			
Actual amounts of resources (budgetary basis) from the budgetary comparison schedules	\$ 12,455,346	\$ 12,080,285	\$ 10,356,514
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>91,988</u>	<u>6,898</u>	<u>(1,566,670)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 12,547,334</u>	<u>\$ 12,087,183</u>	<u>\$ 8,789,844</u>
<b>Uses/outflows of resources:</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules	\$ 21,487,687	\$ 20,260,172	\$ 1,964,898
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>6,795</u>	<u>18,705</u>	<u>(1,261,443)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 21,494,482</u>	<u>\$ 20,278,877</u>	<u>\$ 703,455</u>
<b>Other financing uses:</b>			
Actual amounts (budgetary basis) "total transfers" from the budgetary comparison schedules	\$ 5,512,837	\$ 1,668,129	\$ (6,213,802)
Differences - budget to modified accrual:			
Cash to accrual adjustments	<u>2,170,196</u>	<u>53,789</u>	<u>57,560</u>
Total transfers as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,683,033</u>	<u>\$ 1,721,918</u>	<u>\$ (6,156,242)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

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

	<u>Special Revenue Funds</u>				
	<u>Debt Service</u>	<u>Paving &amp; Sidewalk Districts</u>	<u>Business Improvement District #1</u>	<u>Public Use Property Special Projects</u>	<u>Keno Fund</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 137,914	\$ 388,934	\$ 77,599	\$ 227,814	\$ 548,856
Investments	-	1,500,000	-	160,000	200,000
County treasurer cash	13,690	-	-	-	-
Receivables:					
Special assessments	-	244,618	13,196	-	-
Accounts, net of allowance for doubtful accounts	-	-	-	-	27,556
Notes, net of allowance for doubtful accounts	-	-	-	-	-
Interest	-	37,091	-	4,231	6
Property tax	26,930	-	-	-	-
Business tax	-	-	-	-	-
TIF bond receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
<b>Total assets</b>	<b>\$ 178,534</b>	<b>\$ 2,170,643</b>	<b>\$ 90,795</b>	<b>\$ 392,045</b>	<b>\$ 776,418</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 6,814	\$ -	\$ 35,493
Due to other funds	-	-	-	-	-
Accrued expenses	-	199	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	199	6,814	-	35,493
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	23,919	-	-	-	-
Unavailable revenue - other local taxes	-	244,618	13,196	-	-
Unavailable revenue - fees and other	-	-	-	-	-
Unavailable revenue - notes	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>23,919</b>	<b>244,618</b>	<b>13,196</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Permanent Fund principal	-	-	-	125,000	-
Prepaid expenses	-	-	-	-	-
Notes receivable	-	-	-	-	-
Restricted for:					
Debt service	154,615	-	-	-	-
Public safety	-	-	-	-	-
Economic development	-	-	-	-	-
Capital/special projects	-	1,925,826	-	267,045	-
Federal programs	-	-	-	-	-
Community betterment	-	-	-	-	740,925
Community development block grant	-	-	-	-	-
Assigned for:					
Downtown improvements/parking	-	-	70,785	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficit)	154,615	1,925,826	70,785	392,045	740,925
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 178,534</b>	<b>\$ 2,170,643</b>	<b>\$ 90,795</b>	<b>\$ 392,045</b>	<b>\$ 776,418</b>

**CITY OF FREMONT, NEBRASKA  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED  
SEPTEMBER 30, 2020**

	Special Revenue Funds				Special Revenue Funds			Capital Projects	Total Non-major Governmental Funds
	CDBG Fund	Weatherization EDA (HUD)	Economic Enhancement	Airport Fund	Enhanced & Wireless 911	Drug Task Force	Community Development Agency	Special Projects	
<b>ASSETS</b>									
Cash and cash equivalents	\$ 25,950	\$ 76,172	\$ 339,584	\$ 76,374	\$ 179,490	\$ 31,246	\$ 183,639	\$ 547,290	\$ 2,840,862
Investments	-	-	-	-	350,000	-	-	-	2,210,000
County treasurer cash	-	-	-	-	-	-	1,047	-	14,737
Receivables:									
Special assessments	-	-	-	122,110	-	-	-	-	379,924
Accounts, net of allowance for doubtful accounts	-	4,957	-	363	-	-	-	-	32,876
Notes, net of allowance for doubtful accounts	-	596,123	315,000	-	-	-	-	-	911,123
Interest	-	-	-	-	5,489	-	-	-	46,817
Property tax	-	-	-	-	-	-	-	-	26,930
Business tax	-	-	-	-	24,642	-	-	-	24,642
TIF bond receivable	-	-	-	-	-	-	188,369	-	188,369
Due from other governments	989	-	-	307,337	58,921	-	-	-	367,247
Due from other funds	-	-	-	-	106,023	-	-	-	106,023
Prepaid expenses	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 26,939</b>	<b>\$ 677,252</b>	<b>\$ 654,584</b>	<b>\$ 506,184</b>	<b>\$ 724,565</b>	<b>\$ 31,246</b>	<b>\$ 373,055</b>	<b>\$ 547,290</b>	<b>\$ 7,149,550</b>
<b>LIABILITIES</b>									
Accounts payable	\$ 810	\$ -	\$ -	\$ 472,737	\$ 26,144	\$ -	\$ -	\$ -	\$ 541,998
Due to other funds	29,000	-	-	142,394	200,000	-	394,662	-	766,056
Accrued expenses	-	-	-	1,261	34,950	-	-	-	36,410
Customer deposits	-	-	-	5,400	-	-	-	-	5,400
<b>Total liabilities</b>	<b>29,810</b>	<b>-</b>	<b>-</b>	<b>621,792</b>	<b>261,094</b>	<b>-</b>	<b>394,662</b>	<b>-</b>	<b>1,349,864</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Unavailable revenue - property taxes	-	-	-	-	-	-	-	-	23,919
Unavailable revenue - other local taxes	-	-	-	-	-	-	-	-	257,814
Unavailable revenue - fees and other	-	4,957	-	119,982	58,921	-	188,369	-	372,229
Unavailable revenue - notes	-	-	-	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>4,957</b>	<b>-</b>	<b>119,982</b>	<b>58,921</b>	<b>-</b>	<b>188,369</b>	<b>-</b>	<b>653,962</b>
<b>FUND BALANCES (DEFICIT)</b>									
Nonspendable:									
Permanent fund principal	-	-	-	-	-	-	-	-	125,000
Prepaid expenses	-	-	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-
Restricted for:									
Debt service	-	-	-	-	-	-	-	-	154,615
Public safety	-	-	-	-	404,550	31,246	-	-	435,796
Economic development	-	-	654,584	-	-	-	-	-	654,584
Capital/special projects	-	-	-	-	-	-	-	547,290	2,740,161
Federal programs	-	672,295	-	-	-	-	-	-	672,295
Community betterment	-	-	-	-	-	-	-	-	740,925
Community development block grant	-	-	-	-	-	-	-	-	-
Assigned for:									
Downtown improvements/parking	-	-	-	-	-	-	-	-	70,785
Unassigned	(2,871)	-	-	(235,590)	-	-	(209,976)	-	(448,437)
<b>Total fund balances (deficit)</b>	<b>(2,871)</b>	<b>672,295</b>	<b>654,584</b>	<b>(235,590)</b>	<b>404,550</b>	<b>31,246</b>	<b>(209,976)</b>	<b>547,290</b>	<b>5,145,724</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 26,939</b>	<b>\$ 677,252</b>	<b>\$ 654,584</b>	<b>\$ 506,184</b>	<b>\$ 724,565</b>	<b>\$ 31,246</b>	<b>\$ 373,055</b>	<b>\$ 547,290</b>	<b>\$ 7,149,550</b>

CITY OF FREMONT, NEBRASKA

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Special Revenue Funds				
	Debt Service	Paving & Sidewalk Districts	Business Improvement District #1	Public Use Property Special Projects	Keno Fund
<b>REVENUES</b>					
Property tax	\$ 368,755	\$ -	\$ -	\$ -	\$ -
Occupation taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Keno	-	-	-	-	606,785
Charges for services	-	32,418	41,735	-	-
Donations	-	-	-	207,348	-
Interest income	207	46,572	87	4,062	5,759
Other income	-	-	-	-	1,733
Total revenues	<u>368,962</u>	<u>78,990</u>	<u>41,822</u>	<u>211,410</u>	<u>614,277</u>
<b>EXPENDITURES</b>					
General government	1,109	-	28,504	-	-
Public safety	-	-	-	-	-
Public works	-	2,624	-	-	-
Environment and leisure	-	-	-	-	147,847
Principal payments on debt	305,000	-	-	-	-
Interest on long-term debt	39,116	-	-	-	-
Total expenditures	<u>345,225</u>	<u>2,624</u>	<u>28,504</u>	<u>-</u>	<u>147,847</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>23,737</u>	<u>76,366</u>	<u>13,318</u>	<u>211,410</u>	<u>466,430</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(350,002)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,002)</u>
<b>Net change in fund balances</b>	23,737	76,366	13,318	211,410	116,428
Fund balances - September 30, 2019	<u>130,878</u>	<u>1,849,460</u>	<u>57,467</u>	<u>180,635</u>	<u>624,497</u>
Fund balances - September 30, 2020	<u>\$ 154,615</u>	<u>\$ 1,925,826</u>	<u>\$ 70,785</u>	<u>\$ 392,045</u>	<u>\$ 740,925</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, 2020

	Special Revenue Funds				Special Revenue Funds			Capital Projects	Total Non-major Governmental Funds
	CDBG Fund	Weatherization EDA (HUD)	Economic Enhancement	Airport Fund	Enhanced & Wireless 911	Drug Task Force	Community Development Agency	Special Projects	
<b>REVENUES</b>									
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,061,952	\$ -	\$ 3,430,707
Occupation taxes	-	-	-	-	112,292	-	-	-	112,292
Intergovernmental	16,213	-	-	1,723,822	845,982	9,760	-	-	2,595,777
Keno	-	-	-	-	-	-	-	-	606,785
Charges for services	-	-	-	136,261	-	-	-	-	210,414
Donations	-	-	-	-	-	-	-	-	207,348
Interest income	-	917	597	231	6,133	-	179	792	65,536
Other income	-	-	-	2,120	-	-	47,818	-	51,671
Total revenues	<u>16,213</u>	<u>917</u>	<u>597</u>	<u>1,862,434</u>	<u>964,407</u>	<u>9,760</u>	<u>3,109,949</u>	<u>792</u>	<u>7,280,530</u>
<b>EXPENDITURES</b>									
General government	16,628	207,098	95,000	-	-	-	3,059,749	-	3,408,088
Public safety	-	-	-	-	896,805	1,511	-	-	898,316
Public works	-	-	-	-	-	-	-	-	2,624
Environment and leisure	-	-	-	2,209,334	-	-	-	30,411	2,387,592
Principal payments on debt	-	-	-	-	-	-	-	-	305,000
Interest on long-term debt	-	-	-	-	-	-	-	-	39,116
Total expenditures	<u>16,628</u>	<u>207,098</u>	<u>95,000</u>	<u>2,209,334</u>	<u>896,805</u>	<u>1,511</u>	<u>3,059,749</u>	<u>30,411</u>	<u>7,040,736</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(415)</u>	<u>(206,181)</u>	<u>(94,403)</u>	<u>(346,900)</u>	<u>67,602</u>	<u>8,249</u>	<u>50,200</u>	<u>(29,619)</u>	<u>239,794</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	100,000	112,064	-	-	-	28,853	240,917
Transfers out	-	(26,017)	-	-	-	(7,233)	-	-	(383,252)
Total other financing sources (uses)	<u>-</u>	<u>(26,017)</u>	<u>100,000</u>	<u>112,064</u>	<u>-</u>	<u>(7,233)</u>	<u>-</u>	<u>28,853</u>	<u>(142,335)</u>
<b>Net change in fund balances</b>	<u>(415)</u>	<u>(232,198)</u>	<u>5,597</u>	<u>(234,836)</u>	<u>67,602</u>	<u>1,016</u>	<u>50,200</u>	<u>(766)</u>	<u>97,459</u>
Fund balances - September 30, 2019	<u>(2,456)</u>	<u>904,493</u>	<u>648,987</u>	<u>(754)</u>	<u>336,948</u>	<u>30,230</u>	<u>(260,176)</u>	<u>548,056</u>	<u>-</u>
Fund balances - September 30, 2020	<u>\$ (2,871)</u>	<u>\$ 672,295</u>	<u>\$ 654,584</u>	<u>\$ (235,590)</u>	<u>\$ 404,550</u>	<u>\$ 31,246</u>	<u>\$ (209,976)</u>	<u>\$ 547,290</u>	<u>\$ 97,459</u>

**CITY OF FREMONT, NEBRASKA**  
**Schedule of Expenditures of Federal Awards**  
**September 30, 2020**

<u>Federal Grantor and Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<b><u>Department of Transportation</u></b>				
Passed through Nebraska Department of Transportation:				
Airport Improvement Program	20.106	3-31-0029-012	\$ -	\$ 1,804,283 *
CARES Act Payments for Essential Air Services	20.901	3-31-0029-013	-	69,000
Total Department of Transportation			-	1,873,283
<b><u>Department of Homeland Security</u></b>				
Passed through Nebraska Emergency Management Agency:				
Disaster Grants of Presidentially Declared Disasters	97.036	053-17670-00	-	343,787
<b><u>Department of Housing and Urban Development</u></b>				
Passed through Nebraska Department of Economic Development:				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	10-ED-009	-	512
		14-CR-103	-	1,500
		14-DTR-104	-	1,229
		15-CR-003	-	1,140
		16-CD-102	-	264,749
		16-CD-202	-	153,132
		18-PP-005	-	57,660
		19-EM-002	-	3,615
			-	483,537
<b><u>Department of Health and Human Services</u></b>				
CARES Act Provider Relief Funds	93.498		-	7,013
			\$ -	\$ 2,707,620

\*Major Program

**CITY OF FREMONT, NEBRASKA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**September 30, 2020**

**NOTE A:**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Fremont, Nebraska (the City) under programs of the federal government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B:**

Governmental funds and proprietary funds account for the City's federal grant activity. Expenditures reported on the Schedule are recognized on either the accrual basis of accounting or the modified accrual basis of accounting, depending on the basis of accounting used by the respective fund for which the activity is reported. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE C:**

The City received a 2019 pass-through FEMA grant from the Nebraska Emergency Management Agency for the 2019 Nebraska floods reported under CFDA 97.036. The City incurred expenditures of \$260,940 and \$197,443 in 2019 and 2020, respectively. There is a City match requirement of 25 percent of expenditures. The total federal portion of the expenditures presented in the Schedule for this grant for years 2019 and 2020 was \$343,787.

## **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, 2020, and the related notes to the financial statements, which collectively comprise the City's basis financial statements, and have issued our report thereon dated March 29, 2021.

#### ***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) as a basis for designing 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

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

**BKD, LLP**

Omaha, Nebraska  
March 29, 2021

## **Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance**

### **Independent Auditor's Report**

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

#### **Report on Compliance for the Major Federal Program**

We have audited City of Fremont, Nebraska's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

#### ***Opinion on the Major Federal Program***

In our opinion, City of Fremont, Nebraska complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

## Report on Internal Control over Compliance

Management of the City of Fremont, Nebraska is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

*BKD, LLP*

Omaha, Nebraska  
March 29, 2021



**CITY OF FREMONT, NEBRASKA**  
**Schedule of Findings & Questioned Costs - Continued**  
**Year Ended September 30, 2020**

7. The City's major program was:

<b>Cluster/Program</b>	<b>CFDA Number</b>
Airport Improvement Program	20.106

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The City qualified as a low-risk auditee?  Yes  No

**CITY OF FREMONT, NEBRASKA**  
**Schedule of Findings & Questioned Costs - Continued**  
**Year Ended September 30, 2020**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

**CITY OF FREMONT, NEBRASKA**  
**Summary of Schedule of Prior Audit Findings**  
**Year Ended September 30, 2020**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.

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

As part of our audits of the financial statements and compliance of the City of Fremont, Nebraska as of and for the year ended September 30, 2020, we wish to communicate the following to you.

**Auditor’s Responsibility Under 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 and U.S. Office of Management and Budget (OMB) Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***

An audit performed 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 and U.S. Office of Management and Budget (OMB) Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the opinion unit being audited. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

**Qualitative Aspects of Significant Accounting Policies and Practices**

***Significant Accounting Policies***

The City’s significant accounting policies are described in Note A of the audited financial statements.

### Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- Proper accounting treatment in accordance with the regulated operated provisions of GASB Statement No. 62

### Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for doubtful accounts receivable
- Unbilled revenues – utility accounts
- Self-insured health and worker's compensation claims

### Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Risk management
- Commitments and contingencies
- Subsequent events

### Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

#### *Proposed Audit Adjustments Recorded*

- Accounts receivable
- Accounts payable

*Proposed Audit Adjustments Not Recorded*

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole.

**Auditor’s Judgments About the Quality of the Entity’s Accounting Principles**

No matters are reportable.

**Other Material Communications**

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

**OTHER MATTERS**

We observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

*Policies and Procedures*

BKD notes internal policies and procedures related to significant transaction cycles (other than purchasing) are not formally documented. BKD suggests the City compile information and create documentation of such policies and procedures.

*New Accounting Standards*

**Governmental Accounting Standards Board Statement No. 84**

The Governmental Accounting Standards Board has issued Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 establishes criteria for identifying and reporting fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries.

This statement will be effective for the City’s fiscal year ending September 30, 2021.

**Governmental Accounting Standards Board Statement No. 87**

The Governmental Accounting Standards Board has issued Statement No. 87, *Leases* (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities.

This statement will be effective for the City's fiscal year ending September 30, 2022.

\* \* \* \* \*

This letter is intended solely for the information and use of the city council members and management and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

Omaha, Nebraska  
March 29, 2021

*Representation of:*

City of Fremont, Nebraska  
400 E. Military Avenue  
Fremont, Nebraska 68025

*Provided to:*

**BKD, LLP**

Certified Public Accountants  
1120 S. 101<sup>st</sup> Street, Suite 410  
Omaha, Nebraska 68124

The undersigned (“We”) are providing this letter in connection with BKD’s audit of our financial statements as of and for the year ended September, 30, 2020, and your audit of our compliance with requirements applicable to our major federal awards program as of and for the year ended September 30, 2020.

Our representations are current and effective as of the date of BKD’s report: March 29, 2021.

Our engagement with BKD is based on our contract for services dated: July 9, 2020.

### **Our Responsibility and Consideration of Material Matters**

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD’s report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

### **Confirmation of Matters Specific to the Subject Matter of BKD’s Report**

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation and maintenance of:

- a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
  - b. Internal control to prevent and detect fraud.
3. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of meetings of the governing body held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
  - e. All significant contracts and grants.
4. All transactions have been recorded in the accounting records and are reflected in the financial statements.
5. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
  - a. Misappropriation of assets.
  - b. Misrepresented or misstated assets, liabilities or net position.
6. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
7. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
  - a. Management or employees who have significant roles in internal control, or
  - b. Others, where activities of others could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, customers, regulators, suppliers or others.
9. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
10. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

We understand that the term related party refers to an affiliate; management and members of their immediate families, component units and any other party with which the City may deal if the City can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the City.

11. Except as reflected in the financial statements, there are no:
  - a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
  - b. Material transactions omitted or improperly recorded in the financial records.
  - c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
  - d. Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
  - e. Agreements to purchase assets previously sold.
  - f. Restrictions on cash balances or compensating balance agreements.
  - g. Guarantees, whether written or oral, under which the City is contingently liable.
12. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
13. We have no reason to believe the City owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

14. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
15. Adequate provisions and allowances have been accrued for any material losses from:
  - a. Uncollectible receivables.
  - b. Reducing obsolete or excess inventories to estimated net realizable value.
  - c. Sales commitments, including those unable to be fulfilled.
  - d. Purchase commitments in excess of normal requirements or above prevailing market prices.
16. Except as disclosed in the financial statements, the City has:
  - a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.
  - b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.
17. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply or markets for which events could occur which would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
18. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
19. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.
20. With respect to any nonattest services you have provided us during the year, including assistance with printing and binding financial statements and assistance with completion

of the auditee portion of the Form SF-SAC (Data Collection Form) through the Federal Audit Clearinghouse:

- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
  - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
  - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
  - d. We have evaluated the adequacy of the services performed and any findings that resulted.
21. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.
22. With regard to deposit and investment activities:
- a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.
  - b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
  - c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
23. As an entity subject to *Government Auditing Standards*:
- a. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.
  - b. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
  - c. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

- d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.
- e. We have a process to track the status of audit findings and recommendations.
- f. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.

24. With regard to federal awards programs:

- a. We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.
- b. We have identified the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.
- c. We are responsible for complying, and have complied, with the requirements of Uniform Guidance.
- d. We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the City has complied with all applicable compliance requirements.
- e. We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations and the terms and conditions of the federal awards.

- f. We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
  - g. The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
  - h. The costs charged to federal awards are in accordance with applicable cost principles.
  - i. The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.
  - j. Amounts claimed or used for matching were determined in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) regarding cost principles.
  - k. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
  - l. We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.
  - m. The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.
  - n. The reporting package does not contain any protected personally identifiable information.
25. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis and budgetary comparisons, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently

known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

26. With regard to supplementary information, consisting of the combining statements of the non-major governmental funds and the schedule of expenditures of federal awards:
- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
  - b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
  - c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.
  - d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.
  - e. If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.
27. The City continues to meet the criteria for application of GASB Codification Section Re10, *Regulated Operations*.
28. We acknowledge the current protracted economic volatility related to the COVID-19 pandemic continues to present difficult circumstances and challenges for our industry. Entities are facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes receivable, value of inventory, etc., that could negatively impact the City's ability to meet debt covenants or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the City's financial statements. Further, management and governance are solely responsible for all aspects of managing the City, including questioning the quality and valuation of investments, inventory and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

DocuSigned by:

*Brian Newton*

C4B423DED5D44FD...

Brian Newton, City Administrator

[Brian.Newton@fremontne.gov](mailto:Brian.Newton@fremontne.gov)

DocuSigned by:

*Jody J. Sanders*

D1AEAD2C48094EF...

Jody J. Sanders, Director of Finance

[Jody.Sanders@fremontne.gov](mailto:Jody.Sanders@fremontne.gov)

# City of Fremont, Nebraska

## ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

### Governmental Activities (Government-Wide Statements)

#### QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	47,374,495	(240,471)	47,134,024	-0.51%
Non-Current Assets & Deferred Outflows	68,021,348		68,021,348	
Current Liabilities	(4,157,005)		(4,157,005)	
Non-Current Liabilities & Deferred Inflows	(2,718,099)		(2,718,099)	
Current Ratio			11.34	
Total Assets & Deferred Outflows	115,395,843	(240,471)	115,155,372	-0.21%
Total Liabilities & Deferred Inflows	(6,875,104)		(6,875,104)	
Total Net Position	(108,520,739)	240,471	(108,280,268)	-0.22%
General Revenues & Transfers	(28,853,859)		(28,853,859)	
Net Program Revenues/ Expenses	25,894,039	240,471	26,134,510	0.93%
Change in Net Position	(2,959,820)	240,471	(2,719,349)	-8.12%



# City of Fremont, Nebraska

## ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

### Business Type Activities (Government-Wide Statements)

#### QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	53,077,474	240,471	53,317,945	0.45%
Non-Current Assets & Deferred Outflows	248,980,278		248,980,278	
Current Liabilities	(20,102,663)		(20,102,663)	
Non-Current Liabilities & Deferred Inflows	(91,084,445)		(91,084,445)	
Current Ratio	2.64		2.65	0.45%
Total Assets & Deferred Outflows	302,057,752	240,471	302,298,223	0.08%
Total Liabilities & Deferred Inflows	(111,187,108)		(111,187,108)	
Total Net Position	(190,870,644)	(240,471)	(191,111,115)	0.13%
General Revenues & Transfers	2,549,275		2,549,275	
Net Program Revenues/ Expenses	(12,982,649)	(240,471)	(13,223,120)	1.85%
Change in Net Position	(10,433,374)	(240,471)	(10,673,845)	2.30%

**Client: City of Fremont, Nebraska**  
**Period Ending: September 30, 2020**

**Governmental Activities (Government-Wide Statements)**  
**SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)**

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows				Liabilities & Deferred Inflows				General Revenues & Transfers			Net Program Revenues/Expenses			Net Position			Net Effect on Following Year				
			Current		Noncurrent		Current		Noncurrent		DR		(CR)		DR		(CR)		DR		(CR)		Change in Net Position	Net Position
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)
To allocate the Internal Service Fund's change in net position between the Govt and BT Activities		P	240,471		0		0		0		0		(240,471)		0		0		240,471		(240,471)			
	Receivable from Other Funds		240,471																				(240,471)	
	Business-Type Expenses												(240,471)						240,471					
			0		0		0		0		0		0		0		0		0		0		0	
			0		0		0		0		0		0		0		0		0		0		0	
			0		0		0		0		0		0		0		0		0		0		0	
			0		0		0		0		0		0		0		0		0		0		0	
			0		0		0		0		0		0		0		0		0		0		0	
<b>Total passed adjustments</b>			240,471		0		0		0		0		(240,471)		0		0		240,471		(240,471)			
															<b>Impact on Change in Net Position</b>		<b>(240,471)</b>							
															<b>Impact on Net Position</b>		<b>(240,471)</b>							