

City of Fremont
Sandusky County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2017

City of Fremont
Sandusky County, Ohio
December 31, 2017
Table of Contents

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds	23
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	27
Statement of Fund Net Position – Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	30
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	32
Notes to the Basic Financial Statements	33
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability/Net Pension Asset:	
Ohio Public Employees Retirement System (OPERS).....	78
Ohio Police and Fire Pension Fund (OP&F).....	79
Schedule of City Contributions:	
Ohio Public Employees Retirement System (OPERS).....	80
Ohio Police and Fire Pension Fund (OP&F).....	82
Notes to Required Supplementary Information	84
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	85

Independent Auditor’s Report on Compliance on Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	87
Schedule of Expenditures of Federal Awards	89
Notes to the Schedule of Expenditures of Federal Awards.....	90
Schedule of Findings.....	91
Summary Schedule of Prior Audit Findings	92

June 8, 2018

To the City Council
City of Fremont
Sandusky County, Ohio
323 South Front Street
Fremont, Ohio 43420

Independent Auditor's Report

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, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2017, 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, Sandusky County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund 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, the Schedule of the City's Proportionate Share of the Net Pension Liability/Net Pension Asset, and the Schedule of City Contributions on pages 4-19, 78-79 and 80-83 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 schedule of expenditures of federal awards, as required *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is 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 have also issued our report dated June 8, 2018 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Lima, Ohio

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The management's discussion and analysis of the City of Fremont's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The total net position of the City increased \$1,461,704 or 1.43% from 2016. Net position of governmental activities increased \$479,609 or 2.10% from 2016 and net position of business-type activities increased \$982,095 or 1.24% over 2016.
- General revenues accounted for \$11,558,464 or 75.93% of total governmental activities revenue. Program specific revenues accounted for \$3,663,176 or 24.07% of total governmental activities revenue.
- The City had \$14,666,122 in expenses related to governmental activities; \$3,663,176 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$11,002,946 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$11,558,464.
- The general fund had revenues of \$11,845,313 in 2017. This represents a decrease of \$871,843 or 6.86% from 2016. The expenditures and other financing uses of the general fund, which totaled \$10,835,818 in 2017, decreased \$131,211 or 1.20% from 2016. The net increase in fund balance for the general fund was \$1,009,495 or 12.96%.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2017 by \$982,095. This increase in net position was due primarily to charges for services from the sewer fund exceeding expenses.
- In the general fund, actual revenues and other financing sources were \$130,218 more than the final budget revenues and other financing sources, and actual expenditures and other financing uses were \$620,426 less than the final budget expenditures and other financing uses. Budgeted expenditures and other financing uses increased \$246,488 from the original budget to the final budget, primarily due to an increase in security of persons and property expenditures.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements, parks and recreation and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water and sewer operations are reported here.

The City's statement of net position and statement of activities can be found on pages 20-22 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 13.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

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 the 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. The basic fund financial statements can be found on pages 23-27 of this report.

By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and non-major funds. The City's major governmental fund is the general fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer management functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The proprietary fund statements can be found on pages 28-31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 32 of this report.

Notes to the Basic 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. These notes to the basic financial statements can be found on pages 33-76 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability/net pension asset. The required supplementary information can be found on pages 78-84 of this report.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2017 and December 31, 2016.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<u>Assets</u>						
Current assets	\$ 17,708,388	\$ 16,672,890	\$ 29,192,905	\$ 29,215,932	\$ 46,901,293	\$ 45,888,822
Capital assets, net	20,164,287	19,900,871	149,697,042	150,310,928	169,861,329	170,211,799
Total assets	37,872,675	36,573,761	178,889,947	179,526,860	216,762,622	216,100,621
<u>Deferred outflows of resources</u>						
Unamortized deferred charges	22,312	35,698	-	-	22,312	35,698
Pension	3,407,634	3,803,603	2,026,751	1,546,124	5,434,385	5,349,727
Total deferred outflows of resources	3,429,946	3,839,301	2,026,751	1,546,124	5,456,697	5,385,425
<u>Liabilities</u>						
Current liabilities	625,595	412,780	685,591	2,034,514	1,311,186	2,447,294
Long-term liabilities:						
Due within one year	488,968	498,713	2,156,843	1,682,770	2,645,811	2,181,483
Net pension liability	14,101,671	13,973,357	5,218,985	4,007,771	19,320,656	17,981,128
Other amounts	1,352,996	1,759,315	92,454,292	93,890,048	93,807,288	95,649,363
Total liabilities	16,569,230	16,644,165	100,515,711	101,615,103	117,084,941	118,259,268
<u>Deferred inflows of resources</u>						
Property taxes	788,221	782,375	-	-	788,221	782,375
Pension	585,092	106,053	51,290	90,279	636,382	196,332
Total deferred inflows of resources	1,373,313	888,428	51,290	90,279	1,424,603	978,707
<u>Net Position</u>						
Net investment in capital assets	19,373,484	18,922,251	55,197,933	53,780,473	74,571,417	72,702,724
Restricted	3,524,443	3,653,825	-	-	3,524,443	3,653,825
Unrestricted	462,151	304,393	25,151,764	25,587,129	25,613,915	25,891,522
Total net position	\$ 23,360,078	\$ 22,880,469	\$ 80,349,697	\$ 79,367,602	\$ 103,709,775	\$ 102,248,071

The City applies Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which provides standards for reporting pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension asset/liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension asset/liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension asset/liability not accounted for as deferred inflows/outflows.

In accordance with GASB 68, the City reports a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$103,709,775. At year-end, net positions were \$23,360,078 and \$80,349,697 for the governmental activities and the business-type activities, respectively.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 78.36% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. The net investments in capital assets at December 31, 2017, were \$19,373,484 and \$55,197,933 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Current assets increased \$1,035,498 largely due to an increase in business income tax collections in conjunction with a decrease in income tax refunds, which caused an increase in equity in pooled cash and investments.

A portion of the City's net position, \$3,524,443 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is \$462,151.

Assets of the business-type activities decreased \$636,913 or 0.35% from 2016. Current assets of the business-type activities decreased \$23,027 or 0.08% primarily due to a decrease in accounts receivable. The capital assets of the business-type activities decreased \$613,886 or 0.41%. This decrease is the result of depreciation expense and disposals exceeding additions.

Liabilities of the business-type activities decreased \$1,099,392 or 1.08% from 2016. Current liabilities of the business-type activities decreased \$1,348,923 or 66.30% due to a decrease in contracts payable related to the City's sewer fund's ongoing projects. Long-term obligations of the business-type activities increased \$249,531 or 0.25%.

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**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The table below shows the changes in net position for fiscal years 2017 and 2016.

	Change in Net Position					
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	2017	2016
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>Total</u>	<u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,093,625	\$ 1,031,524	\$ 15,461,479	\$ 15,504,513	\$ 16,555,104	\$ 16,536,037
Operating grants and contributions	1,779,159	2,816,330	-	-	1,779,159	2,816,330
Capital grants and contributions	<u>790,392</u>	<u>107,530</u>	<u>-</u>	<u>-</u>	<u>790,392</u>	<u>107,530</u>
Total program revenues	<u>3,663,176</u>	<u>3,955,384</u>	<u>15,461,479</u>	<u>15,504,513</u>	<u>19,124,655</u>	<u>19,459,897</u>
General revenues:						
Property taxes	758,732	842,559	-	-	758,732	842,559
Income taxes	9,558,403	9,746,694	-	-	9,558,403	9,746,694
Hotel/motel taxes	56,376	60,272	-	-	56,376	60,272
Unrestricted grants and entitlements	459,101	459,212	-	-	459,101	459,212
Investment earnings	284,221	256,737	2,130	9,771	286,351	266,508
Miscellaneous	<u>441,631</u>	<u>340,335</u>	<u>45,073</u>	<u>61,460</u>	<u>486,704</u>	<u>401,795</u>
Total general revenues	<u>11,558,464</u>	<u>11,705,809</u>	<u>47,203</u>	<u>71,231</u>	<u>11,605,667</u>	<u>11,777,040</u>
Total revenues	<u>15,221,640</u>	<u>15,661,193</u>	<u>15,508,682</u>	<u>15,575,744</u>	<u>30,730,322</u>	<u>31,236,937</u>
Expenses:						
General government	3,960,723	3,878,916	-	-	3,960,723	3,878,916
Security of persons and property	6,898,088	6,984,846	-	-	6,898,088	6,984,846
Public health and welfare	5,012	4,897	-	-	5,012	4,897
Transportation	1,225,801	1,209,344	-	-	1,225,801	1,209,344
Community environment	399,611	725,328	-	-	399,611	725,328
Leisure time activity	2,085,101	1,809,721	-	-	2,085,101	1,809,721
Economic development	44,240	60,436	-	-	44,240	60,436
Interest and fiscal charges	47,546	58,189	-	-	47,546	58,189
Water	-	-	7,302,675	6,776,692	7,302,675	6,776,692
Sewer	-	-	7,299,821	6,420,495	7,299,821	6,420,495
Total expenses	<u>14,666,122</u>	<u>14,731,677</u>	<u>14,602,496</u>	<u>13,197,187</u>	<u>29,268,618</u>	<u>27,928,864</u>
Increase in net position before transfers	555,518	929,516	906,186	2,378,557	1,461,704	3,308,073
Transfers	<u>(75,909)</u>	<u>(91,409)</u>	<u>75,909</u>	<u>91,409</u>	<u>-</u>	<u>-</u>
Change in net position	479,609	838,107	982,095	2,469,966	1,461,704	3,308,073
Net position at beginning of year	<u>22,880,469</u>	<u>22,042,362</u>	<u>79,367,602</u>	<u>76,897,636</u>	<u>102,248,071</u>	<u>98,939,998</u>
Net position at end of year	<u>\$ 23,360,078</u>	<u>\$ 22,880,469</u>	<u>\$ 80,349,697</u>	<u>\$ 79,367,602</u>	<u>\$ 103,709,775</u>	<u>\$ 102,248,071</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Governmental Activities

Governmental activities net position increased \$479,609 in 2017. This increase is the result of a decrease in expenditures, primarily in the area of community environment.

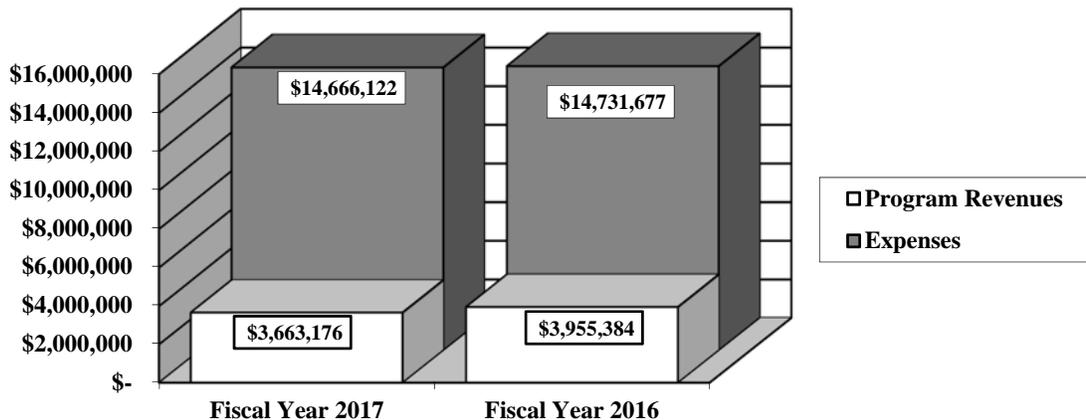
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$6,898,088 of the total expenses of the City. These expenses were partially funded by \$34,064 in direct charges to users of the services. General government expenses totaled \$3,960,723. General government expenses were partially funded by \$549,898 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$1,779,159 in operating grants and contributions and \$790,392 in capital grants and contributions. These revenues are restricted to a particular program or purpose. The total capital grants and contributions subsidized transportation programs. Of the total operating grants and contributions, \$830,850 subsidized transportation programs, \$348,818 subsidized community environment, and \$510,664 subsidized general government activities. Operating grants decreased \$1,037,171 largely due to timing differences pertaining to the reimbursement of grant funding related to the Community Development Block Grant (CDBG), HOME Investment Partnerships Community Housing Impact and Preservation Program (CHIP), and the Probation Incentive Grant.

General revenues totaled \$11,558,464 and amounted to 75.93% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$10,317,135. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue making up \$459,101.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities – Program Revenues vs. Total Expense



**CITY OF FREMONT
SANDUSKY COUNTY**

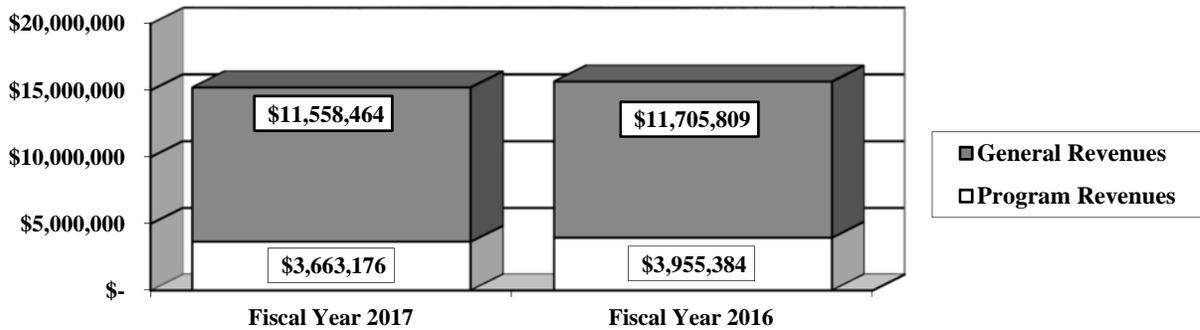
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program Expenses:				
General government	\$ 3,960,723	\$ 2,900,161	\$ 3,878,916	\$ 2,423,265
Security of persons and property	6,898,088	6,792,848	6,984,846	6,734,535
Public health and welfare	5,012	5,012	4,897	4,897
Transportation	1,225,801	(398,697)	1,209,344	247,352
Community environment	399,611	28,789	725,328	(64,368)
Leisure time activity	2,085,101	1,587,198	1,809,721	1,316,500
Economic development	44,240	40,424	60,436	55,923
Interest and fiscal charges	47,546	47,211	58,189	58,189
Total	\$ 14,666,122	\$ 11,002,946	\$ 14,731,677	\$ 10,776,293

The dependence upon general revenues for governmental activities is apparent, with 75.02% of expenses supported through taxes and other general revenues.

Governmental Activities – General and Program Revenues



**CITY OF FREMONT
SANDUSKY COUNTY**

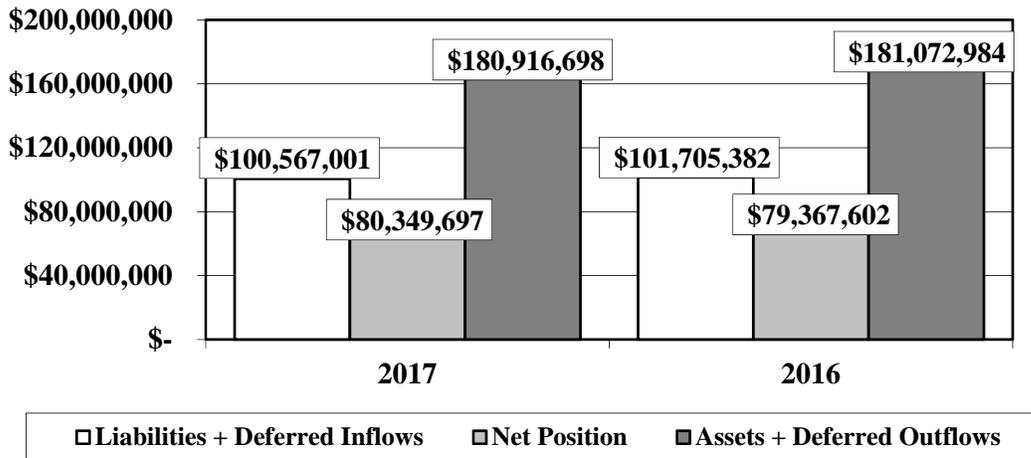
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$15,461,479, general revenues of \$47,203, transfers in of \$75,909 and expenses of \$14,602,496 for 2017. The decrease in program revenues can mainly be attributed to a decrease in charges for services in the water fund. The increases in water and sewer expenses are attributed to GASB 68 related accruals, water treatment maintenance services and increased loan interest payments on the OEPA long term plan.

The graph below illustrates the City's business-type assets, liabilities, deferred outflows, deferred inflows, and net position at December 31, 2017 and December 31, 2016.

Net Position in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$14,398,438 which is \$690,613 more than last year's total of \$13,707,825. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2017 for all major and nonmajor governmental funds.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

	Fund Balances 12/31/17	Fund Balances 12/31/16	Change
Major funds:			
General	\$ 8,799,321	\$ 7,789,826	\$ 1,009,495
Other nonmajor governmental funds	5,599,117	5,917,999	(318,882)
Total	\$ 14,398,438	\$ 13,707,825	\$ 690,613

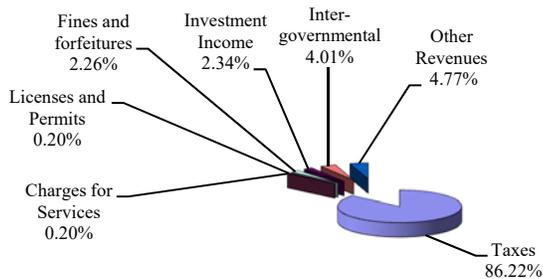
General Fund

The City's general fund balance increased \$1,009,495. The table that follows assists in illustrating the revenues of the general fund.

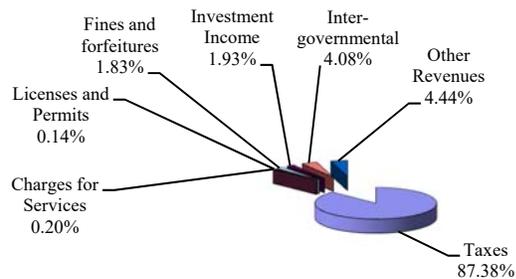
	2017 Amount	2016 Amount	Percentage Change
Revenues			
Taxes	\$ 10,213,232	\$ 11,113,554	(8.10) %
Charges for services	24,102	25,597	(5.84) %
Licenses and permits	22,834	17,175	32.95 %
Fines and forfeitures	267,274	232,089	15.16 %
Intergovernmental	475,585	518,689	(8.31) %
Investment income	276,692	245,338	12.78 %
Other	565,594	564,714	0.16 %
Total	\$ 11,845,313	\$ 12,717,156	(6.86) %

Tax revenue represents 86.22% of all general fund revenue. Income tax revenue decreased in 2017 due to a decrease in income tax collections resulting primarily from changes in the timing of remitting employer withholdings. Intergovernmental revenues decreased 8.31% due to a decrease in local government revenue in 2017. Investment income increased due to an increase in interest rates. License and permits revenue increased due to increased issuances of permits. Fines and forfeitures revenues increased due to the increase in the number of court cases. All other revenue remained comparable to 2016.

Revenues – Fiscal Year 2017



Revenues – Fiscal Year 2016



**CITY OF FREMONT
SANDUSKY COUNTY**

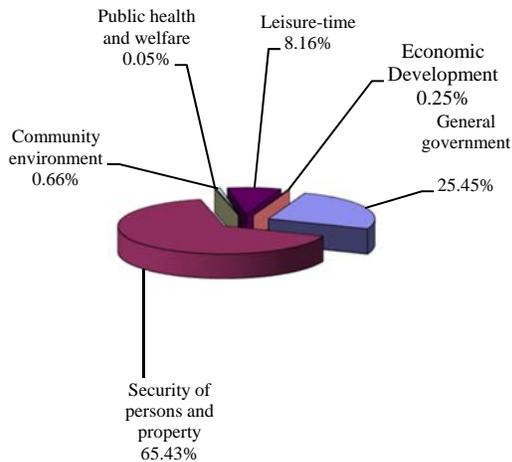
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

The table that follows assists in illustrating the expenditures of the general fund.

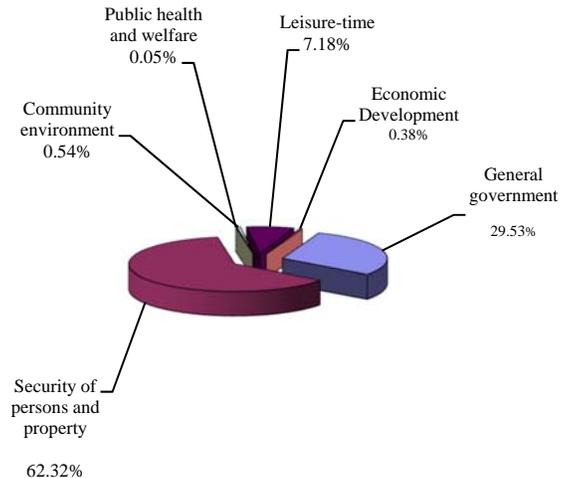
<u>Expenditures</u>	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Percentage Change</u>
General government	\$ 2,401,893	\$ 2,803,763	(14.33) %
Security of persons and property	6,176,695	5,914,815	4.43 %
Public health and welfare	5,012	4,897	2.35 %
Community environment	62,574	51,737	20.95 %
Leisure time activity	770,028	681,665	12.96 %
Economic development	<u>24,037</u>	<u>36,196</u>	(33.59) %
Total	<u>\$ 9,440,239</u>	<u>\$ 9,493,073</u>	(0.56) %

The most significant decrease in dollars in general fund expenditures was in general government. This line item decreased \$401,870 in 2017. This was primarily due to decrease in contracted expenditures. Leisure-time activities expenditures increased \$88,363 in 2017. This is primarily due to an increase in employees in 2017. Community environment expenditures increased \$10,837 primarily due to an increase in contract expenditures.

Expenditures - 2017



Expenditures - 2016



Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Budgetary information is presented for the general fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures and other financing uses, which increased \$246,488 from \$9,668,332 to \$9,914,820. Actual revenues and other financing sources of \$9,351,318 were more than final budgeted revenues and other financing sources by \$130,218. The other significant change was between the final budgeted expenditures and other financing uses and actual expenditures and other financing uses. Actual expenditures and other financing uses came in \$620,426 lower than the final budgeted amounts, primarily due to expenditures for general government and security of persons and property being less than budgeted.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

The City's business-type funds (as presented on the statement of net position on page 28) reported a combined net position of \$80,349,697, which is \$982,095 more than last year's total of \$79,367,602.

Capital Assets and Debt Administration

Capital Assets

At the end of 2017, the City had \$169,861,329 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress (CIP). Of this total, \$20,164,287 was reported in governmental activities and \$149,697,042 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2017 balances compared to 2016:

**Capital Assets at December 31
(Net of Depreciation)**

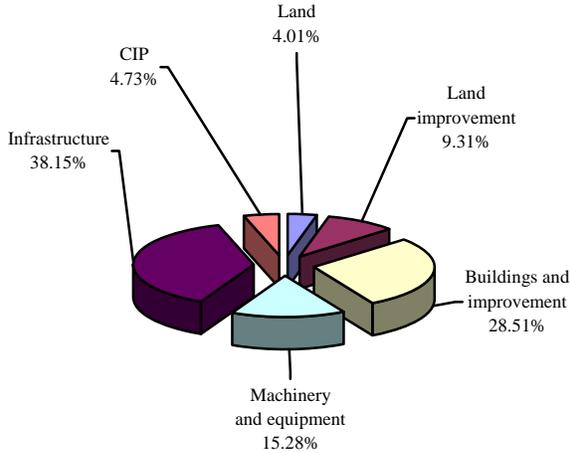
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 809,559	\$ 809,559	\$ 903,988	\$ 903,988	\$ 1,713,547	\$ 1,713,547
Land improvements	1,878,170	1,998,761	36,371,916	35,687,370	38,250,086	37,686,131
Buildings and improvements	5,749,120	6,063,216	19,185,981	19,763,656	24,935,101	25,826,872
Machinery and equipment	3,081,355	3,170,442	1,355,966	1,433,734	4,437,321	4,604,176
Infrastructure	7,693,132	7,799,248	17,698,221	17,729,813	25,391,353	25,529,061
Construction in progress	952,951	59,645	74,180,970	74,792,367	75,133,921	74,852,012
Totals	\$ 20,164,287	\$ 19,900,871	\$ 149,697,042	\$ 150,310,928	\$ 169,861,329	\$ 170,211,799

**CITY OF FREMONT
SANDUSKY COUNTY**

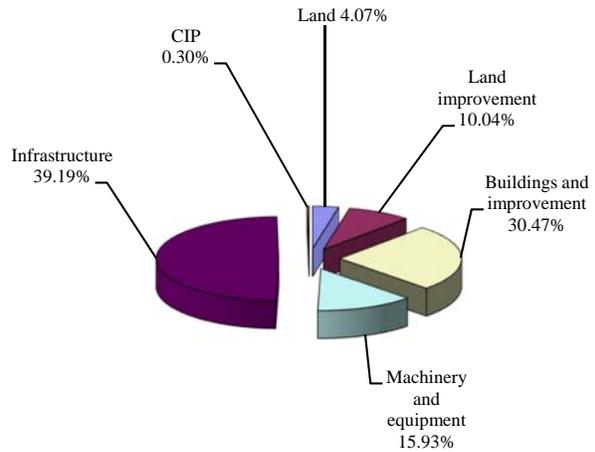
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2017 and 2016.

Capital Assets - Governmental Activities 2017



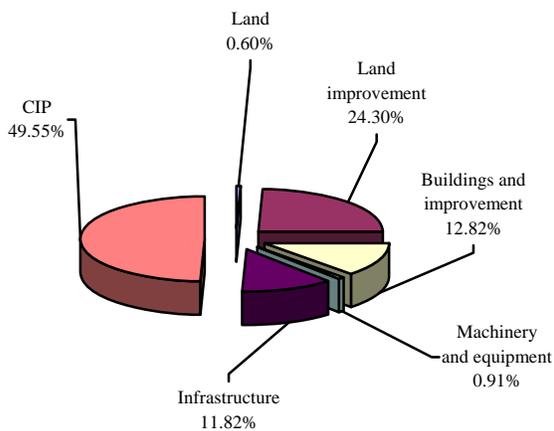
Capital Assets - Governmental Activities 2016



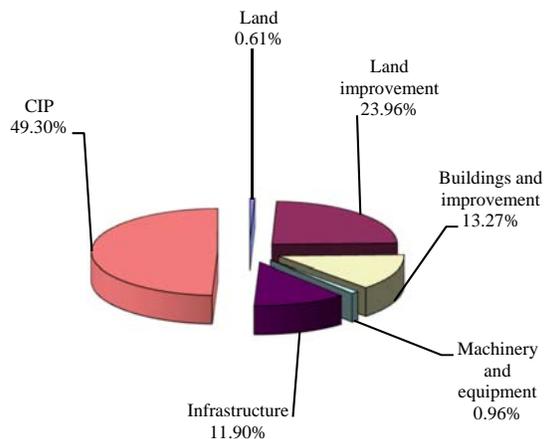
In governmental type activities, the City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 38.15% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2017 and 2016.

Capital Assets - Business-Type Activities 2017



Capital Assets - Business-Type Activities 2016



In business type activities, the largest capital assets category is construction in progress, which includes mainly the OEPA long term plan. The net book value of the City's construction in progress represents approximately 49.55% of the City's total capital type assets.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Debt Administration

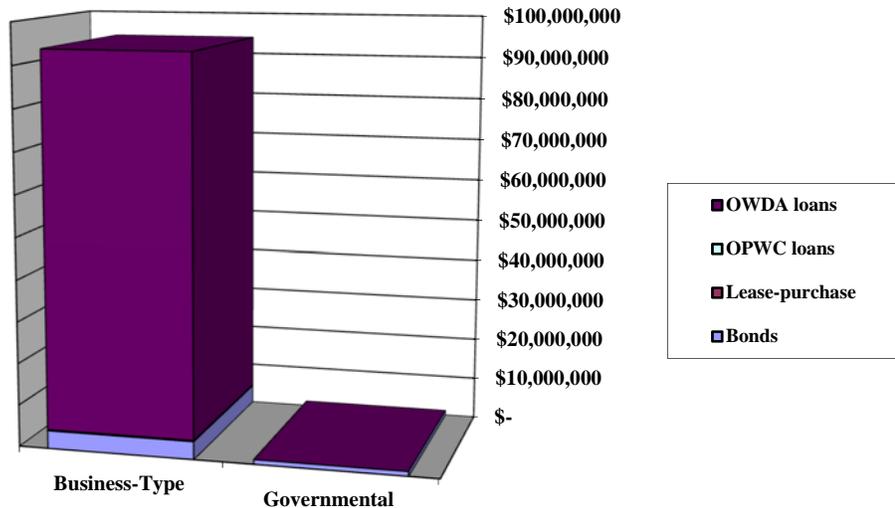
See Note 12 for further discussion of the City's long-term debt obligations. The City had the following long-term debt obligations outstanding at December 31, 2017 and 2016:

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 1,130,000	\$ 1,510,000
Total long-term obligations	<u>\$ 1,130,000</u>	<u>\$ 1,510,000</u>

	Business-type Activities	
	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 4,275,000	\$ 4,575,000
Lease-purchase agreement	45,945	67,905
OPWC loans	259,013	127,246
OWDA loans	<u>89,391,096</u>	<u>90,122,987</u>
Total long-term obligations	<u>\$ 93,971,054</u>	<u>\$ 94,893,138</u>

A comparison of the long-term obligations by category is depicted in the chart below.

Long-term obligations



**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Economic Conditions and Outlook

In 2017, the City began partnering with the Sandusky County Economic Development Corporation, Terra State Community College, Vanguard Career Center and WSOS completing several business retention and expansion visits with our local manufacturers. This joint effort has proven to be important as it allows us to learn more about our manufacturing community and what we can do locally to better serve their needs. Several local manufacturers completed necessary upgrades to their equipment and facilities during this past year. In addition, many more manufacturers are looking to expanding their operation and add additional jobs.

We look forward to continuing these visits to our local manufacturers, offering any assistance to them in order to help their businesses be successful. These visits have helped us to establish good working relationships and convey to these manufacturers the City of Fremont is supportive of them. Through these visits we have learned many of these manufacturers will be expanding and adding to their workforce.

The City expanded one of our Community Reinvestment Areas (CRA). The CRA is a tax abatement program intended to incentivize businesses to either develop new or renovate or expand existing business while giving them a tax breaks. The last time the City expanded one of their CRAs was 1992. For the first time since 2010 businesses are utilizing the CRA program. In 2017, two new businesses took advantage of the program with three more businesses due to utilize the program on 2018.

Fremont City Schools will be building four new elementary schools and one new high schools for a total investment cost of 107 million dollars. Terra Housing Solutions are constructing new dormitory style housing next to Terra State Community College for an investment cost of \$19.6 million and ProMedica Memorial Hospital investing more than 1 million dollars to remodel portions of the hospital.

Trilogy Health Services completed construction on the New Valley View Health Campus for a total cost of \$13.5 million.

The City of Fremont has had several conversations with Kroger's regarding the construction of a new Kroger's Market Place beginning in 2018.

In 2017, the City of Fremont passed a Vacant & Abandoned Building Ordinance to address some of the blight in our community created by abandoned commercial properties. This ordinance is forcing bad properties owners to clean up their properties and get them utilized.

Fremont is experiencing significant revitalization in our downtown and adding to the continued excitement is the multimillion dollar investment WSOS has made to rehab the old Joseph's department store building for the purpose of centralizing their operations.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Paul Grahl, City Auditor, City of Fremont, 323 South Front Street, Fremont, Ohio 43420.

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 12,731,983	\$ 26,374,396	\$ 39,106,379
Receivables (net of allowances for uncollectibles):			
Income taxes	2,826,818	-	2,826,818
Property and other local taxes	829,445	-	829,445
Accounts	51,373	2,242,869	2,294,242
Loans	301,585	-	301,585
Accrued interest	74,794	-	74,794
Due from other governments	583,583	39,158	622,741
Materials and supplies inventory	192,762	382,975	575,737
Prepayments	110,673	57,039	167,712
Internal balance	1,875	(1,875)	-
Net pension asset	3,497	4,148	7,645
Restricted assets:			
Equity in pooled cash and investments	-	94,195	94,195
Capital assets:			
Nondepreciable capital assets	1,762,510	75,084,958	76,847,468
Depreciable capital assets, net	18,401,777	74,612,084	93,013,861
Total capital assets, net	<u>20,164,287</u>	<u>149,697,042</u>	<u>169,861,329</u>
Total assets	<u>37,872,675</u>	<u>178,889,947</u>	<u>216,762,622</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	22,312	-	22,312
Pension - OPERS	1,708,546	2,026,751	3,735,297
Pension - OP&F	1,699,088	-	1,699,088
Total deferred outflows of resources	<u>3,429,946</u>	<u>2,026,751</u>	<u>5,456,697</u>
Liabilities:			
Accounts payable	263,640	205,225	468,865
Contracts payable	127,916	293,150	421,066
Accrued wages and benefits	107,100	47,360	154,460
Due to other governments	916	-	916
Pension and postemployment benefits payable	102,876	40,901	143,777
Due to claimants	15,200	-	15,200
Accrued interest payable	7,947	4,760	12,707
Payable from restricted assets:			
Refundable deposits	-	94,195	94,195
Long-term liabilities:			
Due within one year	488,968	2,156,843	2,645,811
Due in more than one year:			
Net pension liability	14,101,671	5,218,985	19,320,656
Other amounts due in more than one year	1,352,996	92,454,292	93,807,288
Total liabilities	<u>16,569,230</u>	<u>100,515,711</u>	<u>117,084,941</u>
Deferred inflows of resources:			
Property taxes levied for the next year	788,221	-	788,221
Pension - OPERS	46,730	51,290	98,020
Pension - OP&F	538,362	-	538,362
Total deferred inflows of resources	<u>1,373,313</u>	<u>51,290</u>	<u>1,424,603</u>
Net position:			
Net investment in capital assets	19,373,484	55,197,933	74,571,417
Restricted for:			
Debt service	507,036	-	507,036
Transportation projects	734,130	-	734,130
Court projects	376,369	-	376,369
Revolving loans	381,229	-	381,229
R.L. Walsh Trust	744,300	-	744,300
Other purposes	781,379	-	781,379
Unrestricted	<u>462,151</u>	<u>25,151,764</u>	<u>25,613,915</u>
Total net position	<u>\$ 23,360,078</u>	<u>\$ 80,349,697</u>	<u>\$ 103,709,775</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.	\$ 3,960,723	\$ 549,898	\$ 510,664	\$ -
Security of persons and property	6,898,088	34,064	71,176	-
Public health and welfare	5,012	-	-	-
Transportation.	1,225,801	3,256	830,850	790,392
Community environment	399,611	22,004	348,818	-
Leisure time activity.	2,085,101	484,403	13,500	-
Economic development	44,240	-	3,816	-
Interest and fiscal charges.	47,546	-	335	-
Total governmental activities	<u>14,666,122</u>	<u>1,093,625</u>	<u>1,779,159</u>	<u>790,392</u>
Business-type activities:				
Water	7,302,675	7,283,188	-	-
Sewer	7,299,821	8,178,291	-	-
Total business-type activities	<u>14,602,496</u>	<u>15,461,479</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 29,268,618</u>	<u>\$ 16,555,104</u>	<u>\$ 1,779,159</u>	<u>\$ 790,392</u>

General revenues:

Income taxes levied for:

General purposes

Property taxes levied for:

General purposes

Hotel/motel taxes.

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (2,900,161)	\$ -	\$ (2,900,161)
(6,792,848)	-	(6,792,848)
(5,012)	-	(5,012)
398,697	-	398,697
(28,789)	-	(28,789)
(1,587,198)	-	(1,587,198)
(40,424)	-	(40,424)
(47,211)	-	(47,211)
<u>(11,002,946)</u>	<u>-</u>	<u>(11,002,946)</u>
-	(19,487)	(19,487)
<u>-</u>	<u>878,470</u>	<u>878,470</u>
-	858,983	858,983
<u>(11,002,946)</u>	<u>858,983</u>	<u>(10,143,963)</u>
9,558,403	-	9,558,403
758,732	-	758,732
56,376	-	56,376
459,101	-	459,101
284,221	2,130	286,351
441,631	45,073	486,704
<u>11,558,464</u>	<u>47,203</u>	<u>11,605,667</u>
<u>(75,909)</u>	<u>75,909</u>	<u>-</u>
479,609	982,095	1,461,704
<u>22,880,469</u>	<u>79,367,602</u>	<u>102,248,071</u>
<u>\$ 23,360,078</u>	<u>\$ 80,349,697</u>	<u>\$ 103,709,775</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 7,404,117	\$ 5,308,707	\$ 12,712,824
Receivables (net of allowance for uncollectibles):			
Income taxes	2,826,818	-	2,826,818
Property and other local taxes	829,445	-	829,445
Accounts	44,675	6,698	51,373
Accrued interest	74,794	-	74,794
Loans	-	301,585	301,585
Due from other governments	200,001	383,582	583,583
Materials and supplies inventory	-	192,762	192,762
Prepayments	94,439	15,312	109,751
Total assets	<u>\$ 11,474,289</u>	<u>\$ 6,208,646</u>	<u>\$ 17,682,935</u>
Liabilities:			
Accounts payable	\$ 62,230	\$ 200,227	\$ 262,457
Contracts payable	-	127,916	127,916
Accrued wages and benefits payable	92,888	13,497	106,385
Due to other governments	-	916	916
Compensated absences payable	24,071	-	24,071
Pension and postemployment benefits payable . .	90,812	11,408	102,220
Due to claimants	15,200	-	15,200
Total liabilities	<u>285,201</u>	<u>353,964</u>	<u>639,165</u>
Deferred inflows of resources:			
Property taxes levied for the next year	788,221	-	788,221
Delinquent property tax revenue not available . .	41,224	-	41,224
Accrued interest not available	43,425	-	43,425
Income tax revenue not available	1,378,332	-	1,378,332
Intergovernmental revenue not available	138,565	255,565	394,130
Total deferred inflows of resources	<u>2,389,767</u>	<u>255,565</u>	<u>2,645,332</u>
Fund balances:			
Nonspendable	94,439	208,074	302,513
Restricted	-	3,627,604	3,627,604
Committed	5,506,009	1,711,879	7,217,888
Assigned	623,830	196,644	820,474
Unassigned (deficit)	2,575,043	(145,084)	2,429,959
Total fund balances	<u>8,799,321</u>	<u>5,599,117</u>	<u>14,398,438</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,474,289</u>	<u>\$ 6,208,646</u>	<u>\$ 17,682,935</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Total governmental fund balances	\$	14,398,438
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		20,164,287
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 1,378,332	
Delinquent property taxes receivable	41,224	
Due from other governments	394,130	
Accrued interest receivable	43,425	
Total	1,857,111	1,857,111
An internal service fund is used by management to charge the costs of internal equipment service to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. This amount includes \$66 in net pension asset, \$32,394 in deferred outflows of resources, \$1,812 in deferred inflows of resources, and \$83,455 in net pension liability.		(35,280)
When consolidating the internal service fund, the portion of the operating income or loss allocated to business-type activities is eliminated from the governmental activities and is reported as a component of internal balance.		1,875
In the statement of net position interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.		(7,947)
Unamortized premiums on bond issuances are not recognized in the funds.		(17,368)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		22,312
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	3,431	
Deferred outflows of resources	3,375,240	
Deferred inflows of resources	(583,280)	
Net pension liability	(14,018,216)	
Total	(11,222,825)	(11,222,825)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
General obligation bonds	(1,130,000)	
Compensated absences	(670,525)	
Total	(1,800,525)	(1,800,525)
Net position of governmental activities	\$	23,360,078

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Income taxes	\$ 9,364,204	\$ -	\$ 9,364,204
Property and other local taxes	849,028	-	849,028
Charges for services	24,102	471,481	495,583
Licenses, permits and fees	22,834	-	22,834
Fines and forfeitures	267,274	198,372	465,646
Intergovernmental	475,585	2,474,293	2,949,878
Special assessments	-	2,256	2,256
Investment income	276,692	2,555	279,247
Contributions and donations.	47,477	5,425	52,902
Other	518,117	54,492	572,609
Total revenues	<u>11,845,313</u>	<u>3,208,874</u>	<u>15,054,187</u>
Expenditures:			
Current:			
General government	2,401,893	788,344	3,190,237
Security of persons and property	6,176,695	69,838	6,246,533
Public health and welfare.	5,012	-	5,012
Transportation	-	899,026	899,026
Community environment	62,574	331,515	394,089
Leisure time activity	770,028	824,757	1,594,785
Economic development and assistance	24,037	576	24,613
Capital outlay	-	1,582,189	1,582,189
Debt service:			
Principal retirement.	-	380,000	380,000
Interest and fiscal charges	-	47,090	47,090
Total expenditures	<u>9,440,239</u>	<u>4,923,335</u>	<u>14,363,574</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,405,074</u>	<u>(1,714,461)</u>	<u>690,613</u>
Other financing sources (uses):			
Transfers in	-	1,395,579	1,395,579
Transfers out	<u>(1,395,579)</u>	<u>-</u>	<u>(1,395,579)</u>
Total other financing sources (uses)	<u>(1,395,579)</u>	<u>1,395,579</u>	<u>-</u>
Net change in fund balances	1,009,495	(318,882)	690,613
Fund balances at beginning of year	<u>7,789,826</u>	<u>5,917,999</u>	<u>13,707,825</u>
Fund balances at end of year	<u>\$ 8,799,321</u>	<u>\$ 5,599,117</u>	<u>\$ 14,398,438</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds \$ 690,613

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 1,910,602	
Current year depreciation	(1,587,377)	
Total	323,225	

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (59,809)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property tax revenue	(33,920)	
Intergovernmental revenue	(355)	
Income tax revenue	194,199	
Investment income	7,529	
Total	167,453	

Repayment of the general obligation bonds is an expenditure in the governmental funds; however, in the statement of activities it is not recorded as an expense as it decreases liabilities on the statement of net position. 380,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in more interest being reported in the statement of activities:

Decrease in accrued interest	3,496	
Amortization of deferred amounts on refunding	(13,386)	
Amortization of bond premiums	9,433	
Total	(457)	

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (16,989)

Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 1,034,482

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,029,039)

An internal service fund is used by management to charge the costs of internal equipment service and employee benefits to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance of (\$680), is allocated among the governmental activities. (9,870)

Change in net position of governmental activities \$ 479,609

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ 838,000	\$ 838,000	\$ 849,028	\$ 11,028
Charges for services.	21,000	21,000	24,098	3,098
Licenses, permits and fees	15,100	15,100	22,834	7,734
Fines and forfeitures	225,000	225,000	266,273	41,273
Intergovernmental.	452,500	452,500	476,467	23,967
Investment income.	330,000	330,000	387,133	57,133
Contributions and donations.	75,000	75,000	33,977	(41,023)
Other	159,500	159,500	188,744	29,244
Total revenues	<u>2,116,100</u>	<u>2,116,100</u>	<u>2,248,554</u>	<u>132,454</u>
Expenditures:				
Current:				
General government	1,948,904	2,103,518	1,917,008	186,510
Security of persons and property	6,610,171	6,782,900	6,425,900	357,000
Public health and welfare.	21,250	21,250	5,012	16,238
Community environment	80,164	83,164	63,778	19,386
Leisure time activity	812,887	812,887	773,689	39,198
Economic development and assistance	109,927	26,072	23,978	2,094
Total expenditures	<u>9,583,303</u>	<u>9,829,791</u>	<u>9,209,365</u>	<u>620,426</u>
Excess of expenditures over revenues	<u>(7,467,203)</u>	<u>(7,713,691)</u>	<u>(6,960,811)</u>	<u>752,880</u>
Other financing sources (uses):				
Sale of capital assets.	5,000	5,000	2,764	(2,236)
Transfers in	7,100,000	7,100,000	7,100,000	-
Transfers out	(85,029)	(85,029)	(85,029)	-
Total other financing sources	<u>7,019,971</u>	<u>7,019,971</u>	<u>7,017,735</u>	<u>(2,236)</u>
Net change in fund balances	<u>(447,232)</u>	<u>(693,720)</u>	<u>56,924</u>	<u>750,644</u>
Fund balances at beginning of year	3,106,975	3,106,975	3,106,975	-
Prior year encumbrances appropriated	129,769	129,769	129,769	-
Fund balance at end of year	<u>\$ 2,789,512</u>	<u>\$ 2,543,024</u>	<u>\$ 3,293,668</u>	<u>\$ 750,644</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 4,655,218	\$ 21,719,178	\$ 26,374,396	\$ 19,159
Receivables (net of allowance for uncollectibles):				
Accounts	1,159,223	1,083,646	2,242,869	-
Due from other governments	-	39,158	39,158	-
Materials and supplies inventory	330,118	52,857	382,975	-
Prepayments	26,649	30,390	57,039	922
Total current assets	6,171,208	22,925,229	29,096,437	20,081
Noncurrent assets:				
Net pension asset	1,936	2,212	4,148	66
Restricted assets:				
Equity in pooled cash and investments	94,195	-	94,195	-
Capital assets:				
Nondepreciable capital assets	1,160,967	73,923,991	75,084,958	-
Depreciable capital assets, net	68,174,018	6,438,066	74,612,084	-
Total capital assets, net	69,334,985	80,362,057	149,697,042	-
Total noncurrent assets	69,431,116	80,364,269	149,795,385	66
Total assets	75,602,324	103,289,498	178,891,822	20,147
Deferred outflows of resources:				
Pension - OPERS	946,388	1,080,363	2,026,751	32,394
Liabilities:				
Current liabilities:				
Accounts payable	111,641	93,584	205,225	1,183
Contracts payable	230,000	63,150	293,150	-
Accrued wages and benefits payable	23,412	23,948	47,360	715
Pension and postemployment benefits payable	19,420	21,481	40,901	656
Accrued interest payable	4,760	-	4,760	-
Current portion of compensated absences	12,023	20,652	32,675	-
Current portion of general obligation bonds payable	610,000	-	610,000	-
OWDA loans payable	1,325,596	142,945	1,468,541	-
Current portion of OPWC loans payable	3,775	19,224	22,999	-
Current portion of lease obligations.	11,314	11,314	22,628	-
Payable from restricted assets:				
Refundable deposits	94,195	-	94,195	-
Total current liabilities	2,446,136	396,298	2,842,434	2,554
Long-term liabilities:				
Compensated absences payable	181,727	190,774	372,501	-
General obligation bonds payable	3,899,905	-	3,899,905	-
OWDA loans payable	21,339,653	66,582,902	87,922,555	-
OPWC loans payable	147,217	88,797	236,014	-
Lease obligations payable.	11,658	11,659	23,317	-
Net pension liability	2,435,725	2,783,260	5,218,985	83,455
Total long-term liabilities	28,015,885	69,657,392	97,673,277	83,455
Total liabilities	30,462,021	70,053,690	100,515,711	86,009
Deferred inflows of resources:				
Pension - OPERS.	16,133	35,157	51,290	1,812
Net position:				
Net investment in capital assets	41,755,867	13,442,066	55,197,933	-
Unrestricted (deficit)	4,314,691	20,838,948	25,153,639	(35,280)
Total net position (deficit)	\$ 46,070,558	\$ 34,281,014	80,351,572	\$ (35,280)
Adjustment to reflect the consolidation of the internal service fund's activity related to enterprise funds			(1,875)	
Net position of business-type activities			<u>\$ 80,349,697</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Operating revenues:				
Charges for services	\$ 7,283,188	\$ 8,178,291	\$ 15,461,479	\$ 80,655
Other	19,464	25,609	45,073	500
Total operating revenues	<u>7,302,652</u>	<u>8,203,900</u>	<u>15,506,552</u>	<u>81,155</u>
Operating expenses:				
Personal services	2,391,303	2,701,856	5,093,159	78,446
Contract services	527,506	330,548	858,054	3,775
Materials and supplies	1,045,753	464,811	1,510,564	2,080
Utilities expense	411,396	557,971	969,367	5,744
Depreciation	2,083,860	401,645	2,485,505	-
Other	96,134	82,917	179,051	2,175
Total operating expenses	<u>6,555,952</u>	<u>4,539,748</u>	<u>11,095,700</u>	<u>92,220</u>
Operating income (loss)	<u>746,700</u>	<u>3,664,152</u>	<u>4,410,852</u>	<u>(11,065)</u>
Nonoperating revenues (expenses):				
Interest revenue	-	2,130	2,130	-
Interest and fiscal charges	(745,528)	(2,693,926)	(3,439,454)	-
Loss on disposal of capital assets	(394)	(65,753)	(66,147)	-
Total nonoperating revenues (expenses)	<u>(745,922)</u>	<u>(2,757,549)</u>	<u>(3,503,471)</u>	<u>-</u>
Income (loss) before contributions	778	906,603	907,381	(11,065)
Capital contributions	58,846	17,063	75,909	-
Change in net position	59,624	923,666	983,290	(11,065)
Net position (deficit) at beginning of year	<u>46,010,934</u>	<u>33,357,348</u>		<u>(24,215)</u>
Net position (deficit) at end of year	<u>\$ 46,070,558</u>	<u>\$ 34,281,014</u>		<u>\$ (35,280)</u>
Adjustment to reflect the consolidation of the internal service fund's activity related to enterprise funds			(1,195)	
Change in net position of business-type activities.			<u>\$ 982,095</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Cash flows from operating activities:				
Cash received from charges for services	\$ 7,379,600	\$ 8,277,934	\$ 15,657,534	\$ 80,655
Cash received from other operations	47,464	25,609	73,073	500
Cash payments for personal services	(2,056,241)	(2,361,078)	(4,417,319)	(67,768)
Cash payments for contractual services	(895,996)	(300,465)	(1,196,461)	(3,775)
Cash payments for materials and supplies.	(953,660)	(468,228)	(1,421,888)	(2,080)
Cash payments for utilities expense.	(364,855)	(539,938)	(904,793)	(4,857)
Cash payments for other expenses	(120,784)	(82,917)	(203,701)	(2,175)
Net cash provided by operating activities	<u>3,035,528</u>	<u>4,550,917</u>	<u>7,586,445</u>	<u>500</u>
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets. . .	(784,906)	(2,157,843)	(2,942,749)	-
Cash received from the sale of capital assets	1,112	4,480	5,592	-
Cash payments for principal retirement.	(1,569,180)	(1,349,666)	(2,918,846)	-
Cash payments for interest and fiscal charges	(779,824)	(2,693,926)	(3,473,750)	-
Cash received from OPWC loan issuance.	150,992	-	150,992	-
Cash received from OWDA loan issuance.	-	1,845,770	1,845,770	-
Net cash (used in) capital and related financing activities.	<u>(2,981,806)</u>	<u>(4,351,185)</u>	<u>(7,332,991)</u>	<u>-</u>
Cash flows from investing activities:				
Cash received from interest earned.	-	2,130	2,130	-
Net increase in cash and cash equivalents	53,722	201,862	255,584	500
Cash and cash equivalents at beginning of year . . .	<u>4,695,691</u>	<u>21,517,316</u>	<u>26,213,007</u>	<u>18,659</u>
Cash and cash equivalents at end of year	<u>\$ 4,749,413</u>	<u>\$ 21,719,178</u>	<u>\$ 26,468,591</u>	<u>\$ 19,159</u>

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**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 746,700	\$ 3,664,152	\$ 4,410,852	\$ (11,065)
Adjustments:				
Depreciation	2,083,860	401,645	2,485,505	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Decrease in accounts receivable	96,412	99,593	196,005	-
Decrease in intergovernmental receivable	-	50	50	-
(Increase) decrease in materials and supplies inventory	90,294	(7,519)	82,775	-
Decrease in net pension asset	1,121	1,341	2,462	43
(Increase) in prepayments	(2,230)	(1,646)	(3,876)	(54)
(Increase) in deferred outflows - OPERS	(231,359)	(249,268)	(480,627)	(6,910)
Increase (decrease) in accounts payable	(320,150)	51,571	(268,579)	887
(Decrease) in accrued wages and benefits	(2,327)	(4,976)	(7,303)	(130)
Increase (decrease) in compensated absences payable .	13,332	(18,969)	(5,637)	-
Increase (decrease) in pension and postemployment benefits payable	(126)	(631)	(757)	6
Increase in refundable deposits liability	3,350	-	3,350	-
Increase in net pension liability	582,269	628,945	1,211,214	17,399
Increase (decrease) in deferred inflows - OPERS	(25,618)	(13,371)	(38,989)	324
Net cash provided by operating activities	<u>\$ 3,035,528</u>	<u>\$ 4,550,917</u>	<u>\$ 7,586,445</u>	<u>\$ 500</u>

During 2017, the water fund received \$58,846 in capital contributions from governmental activities.
During 2017, the sewer fund received \$17,063 in capital contributions from governmental activities.
During 2017 and 2016, the water fund purchased \$230,000 and \$183,376, respectively, in capital assets on account.
During 2017 and 2016, the sewer fund purchased \$63,150 and \$1,185,074, respectively, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2017

	Agency
Assets:	
Equity in pooled cash and investments	\$ 50,871
Cash in segregated accounts.	56,675
Receivables:	
Accounts	3,704
Total assets	\$ 111,250
Liabilities:	
Deposits held and due to others	\$ 111,250
Total liabilities	\$ 111,250

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - DESCRIPTION OF THE CITY

The City of Fremont (the “City”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under a Council/Mayor form of government and provides the following services to its residents: public safety, highways and streets, water, sanitation, health and social services, culture recreation, public improvements, planning and zoning and general administration services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City. The City’s reporting entity has been defined according to GASB Statement No. 14, “The Financial Reporting Entity”, and as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34” and GASB Statement No. 80, “Blending Requirements for Certain Component Units an Amendment of GASB Statement No. 14.”

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the organization’s budget, the issuance of its debt or the levying of its taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the City and the organization is such that exclusion by the City would render the City’s financial statements incomplete or misleading. Based upon these criteria, the City has no component units but is a member of an insurance pool described in Note 14.

B. Basis of Presentation - Fund Accounting

The City’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities and for the business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental program is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows and liabilities and deferred inflows is reported as fund balance.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is the City's major governmental fund:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUNDS

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer fund - This fund accounts for the provision of sanitary sewer service to the residential and commercial users located within the City.

Internal service fund - The internal service fund accounts for the financing of services provided by one fund or department to other funds or departments of the City on a cost-reimbursement basis. The City's internal service fund reports on the operations of the servicing of internal equipment.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The City's agency funds account for various funds held for Ohio Highway Patrol portion of Municipal Court fines, Municipal Court Bonds and the collections for the County Sewer District.

D. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows, all liabilities and all deferred inflows associated with the operation of the City are included on the statement of net position.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows, current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, all deferred outflows, all liabilities and all deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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 operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities and operating expenses for the internal service fund include personnel costs and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year end.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income taxes, charges for services, State-levied locally shared taxes (including gasoline taxes, local government funds and permissive taxes), fines and forfeitures, grants, interest and licenses permits and fees.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Note 15 for deferred outflows of resources related the City's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. 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, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, see Note 15 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of control has been established at the fund-department and within each department, the amount spent on personal services and all other expenditures for all funds.

Estimated Resources - The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. On or about December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the first and final amended official certificate of estimated resources issued during 2017.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and within each department, the amount for personal services and all other expenditures. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. The amounts set forth in the financial statements represent the original and final appropriations approved by City Council during 2017.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are reappropriated in the succeeding year.

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at year end are reported as restricted, committed, or assigned classifications of fund balance in the governmental fund financial statements.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

Cash and cash equivalents that are held separately for the City in segregated accounts and not held with the City Treasurer are recorded on the basic financial statements as "cash in segregated accounts".

During 2017, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Home Loan Banks (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, negotiable certificates of deposit (negotiable CD's), and a U.S. Government money market fund. Except for investments in STAR Ohio, investments are reported at fair value which is based on quoted market prices. Investments in STAR Ohio are reported at amortized cost.

During 2017, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2017 was \$276,692, which includes \$226,609 assigned from other City funds.

For purposes of the statement of cash flows and for presentation on the basic financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

H. Loans Receivable

Loans receivable represent the right to receive repayment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients.

I. Inventories of Materials and Supplies

On the government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

On fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value. The City maintains a capitalization threshold of \$2,500. The City's governmental infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers and streets. The City's proprietary and business-type infrastructure consists of water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of proprietary capital assets is also capitalized. Capitalized interest related to Ohio Water Development Authority (OWDA) Loan were included during 2017.

All reported capital assets are depreciated except for land and construction in progress. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	10-50 years	10-50 years
Buildings	25-50 years	25-50 years
Building improvements	5-50 years	5-25 years
Machinery and equipment	3-30 years	5-10 years
Infrastructure - streets, sidewalks, and storm sewers	25-50 years	50 years
Infrastructure - bridges and culverts	25-50 years	25-50 years

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments as well as the sick leave accumulated by those employees expected to become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employee wage rates at year end taking into consideration any limits specified in the City's union contracts or administrative ordinance. The City records a liability for accumulated unused sick leave for all employees with 10 or more years of service with the City up to a maximum of 500 hours for all employees except police sergeants, captains, and firefighters, which have a maximum of 600 hours.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

M. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the BFS. Interfund activity between governmental funds is eliminated for reporting on the governmental statement of activities.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes. The City Council has also assigned amounts to cover a gap between estimated resources and appropriations in the 2018 budget.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

O. Restricted Assets

Customer deposits are held in the water fund to assure payment of utility bills. At December 31, 2017, the City held \$94,195 in restricted customer deposits. These restricted assets are equally offset by a restricted payable so there is no effect on net position of the water fund.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Bond Issuance Costs, Bond Premiums and Discounts, Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which these items are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements, bond premiums and discounts are recognized in the period in which these items are incurred. The reconciliation between the face value of bonds and the amount reported on the statement of net position is presented in Note 12.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

Q. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

R. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, grants or outside contributions of resources restricted to capital acquisition and construction, or capital assets that are purchased by a fund and then transferred to another fund. Capital contributions are reported as nonoperating revenue in the proprietary fund financial statements. During 2017, the water and sewer enterprise funds received \$75,909 in capital contributions from governmental activities.

S. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. None of the City's net position are restricted by enabling legislation.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. The City had neither type of occurrence during 2017.

U. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

V. Prepayments

Payments made to vendors for services that benefit future periods are recorded as prepayments in both government-wide and fund financial statements. A current asset for the prepaid amount is recorded at the time of purchase, and the expenditure is reported in the year in which services are consumed. Governmental fund balance has been presented as nonspendable equal to the balance of the prepayments at year-end.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2017, the City has implemented GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*", GASB Statement No. 81 "*Irrevocable Split-Interest Agreements*", and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*".

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Local Transportation	\$ 140,758
SCIP	<u>4,326</u>
Total	<u><u>145,084</u></u>

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State statute into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provide that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed forty percent of the City's interim monies available for investment; and,
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed forty percent of the City's interim monies available for investment.

The City may also invest any monies not required to be used for six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this state, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution's participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Restricted equity in pooled cash: At year-end, the City had \$94,195 in restricted assets for refundable deposits from customers of the water fund. This amount is included in the "Deposits with Financial Institutions" below.

A. Cash in Segregated Accounts

At year end, \$56,675 was on deposit in segregated accounts for the Municipal Court and small business checking account. These accounts are included in the total amount of "Deposits with Financial Institutions" reported below; however, this amount is not part of the internal cash pool reported on the statement of net position and the governmental funds balance sheet as "equity in pooled cash and investments".

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2017, the carrying amount of all City deposits was \$13,179,220 and the bank balance of all City deposits was \$13,577,921. Of the bank balance, \$2,500,000 was covered by the FDIC and \$11,077,921 was collateralized by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

C. Investments

As of December 31, 2017, the City had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	Investment Maturities				
		6 months or <u>less</u>	7 to 12 <u>months</u>	13 to 18 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
Amortized cost:						
STAR Ohio	\$ 5,712,871	\$ 5,712,871	\$ -	\$ -	\$ -	\$ -
Fair value:						
FHLB	2,210,200	-	-	-	-	2,210,200
FNMA	4,045,971	-	745,853	-	1,818,086	1,482,032
FHLMC	9,688,707	-	1,494,150	740,573	1,718,397	5,735,587
Negotiable CD	4,131,418	992,845	1,167,932	-	494,620	1,476,021
U.S. Government Money Market Mutual funds	<u>283,058</u>	<u>283,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 26,072,225</u>	<u>\$ 6,988,774</u>	<u>\$ 3,407,935</u>	<u>\$ 740,573</u>	<u>\$ 4,031,103</u>	<u>\$ 10,903,840</u>

The weighted average maturity of investments is 1.78 years.

Fair Value Measurements: The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investments in U.S. government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The City's investments in federal agency securities are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: The Ohio Revised Code general limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

Credit Risk: STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's negotiable CD's were fully insured by the FDIC.

Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2017, is 60 days or less. STAR Ohio carries a rating of AAAM by Standard and Poor's.

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2017:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	\$ 5,712,871	21.91
Fair value:		
FHLB	2,210,200	8.48
FNMA	4,045,971	15.52
FHLMC	9,688,707	37.16
Negotiable CD	4,131,418	15.85
U.S. Government Money Market Mutual funds	<u>283,058</u>	<u>1.08</u>
Total	<u>\$ 26,072,225</u>	<u>100.00</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of December 31, 2017:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 13,179,220
Investments	26,072,225
Cash in segregated accounts	<u>56,675</u>
Total	<u>\$ 39,308,120</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 12,731,983
Business-type activities	26,468,591
Agency funds	<u>107,546</u>
Total	<u>\$ 39,308,120</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2017 consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	<u>\$ 1,395,579</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; reclassification of prior year distributed monies, to segregate money for anticipated capital projects; and to return money to the fund from which it was originally provided once a project is completed.

Transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Fremont. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2017 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflows since the current taxes were not levied to finance 2017 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2017 was \$3.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2017 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 138,789,400
Commercial/industrial/mineral	97,604,130

Public utility

Real	88,560
Personal	<u>31,803,280</u>

Total assessed value	<u>\$ 268,285,370</u>
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NOTE 7 - LOCAL INCOME TAX

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue is credited to the general fund and amounted to \$9,364,204 in 2017.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 8 - RECEIVABLES

Receivables at December 31, 2017 consisted of taxes, accounts (billings for user charged services), loans, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable and available at December 31, 2017.

A summary of the principal items of receivables reported on the statement of net position follows:

<u>Receivables:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Income taxes	\$ 2,826,818	\$ -
Property and other local taxes	829,445	-
Accounts	51,373	2,242,869
Loans	301,585	-
Accrued interest	74,794	-
Due from other governments	<u>583,583</u>	<u>39,158</u>
Total	<u>\$ 4,667,598</u>	<u>\$ 2,282,027</u>

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year is the loans receivable, which is collected over the life of the loans (See Note 9).

NOTE 9 - LOANS RECEIVABLE

The Fremont City Council created the Revolving Loan Committee and granted them the authority to act on behalf of the City of Fremont in making loans from the City’s revolving loan fund to qualified applicants within the revolving loan fund geographic area. At the close of 2017, there were loans to seven businesses with a total principal balance of \$301,585. \$44,310 is the amount due within one year and \$257,275 is due in more than one year.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

<u>Governmental activities:</u>	Balance <u>12/31/16</u>	Additions	Deletions	Balance <u>12/31/17</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 809,559	\$ -	\$ -	\$ 809,559
Construction-in-progress	<u>59,645</u>	<u>893,306</u>	<u>-</u>	<u>952,951</u>
<i>Total capital assets, not being depreciated</i>	<u>869,204</u>	<u>893,306</u>	<u>-</u>	<u>1,762,510</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,600,117	69,961	-	4,670,078
Buildings and improvements	12,707,100	62,070	(21,535)	12,747,635
Machinery and equipment	7,640,792	317,273	(503,390)	7,454,675
Infrastructure	<u>19,485,358</u>	<u>567,992</u>	<u>-</u>	<u>20,053,350</u>
<i>Total capital assets, being depreciated</i>	<u>44,433,367</u>	<u>1,017,296</u>	<u>(524,925)</u>	<u>44,925,738</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,601,356)	(190,552)	-	(2,791,908)
Buildings and improvements	(6,643,884)	(362,474)	7,843	(6,998,515)
Machinery and equipment	(4,470,350)	(360,243)	457,273	(4,373,320)
Infrastructure	<u>(11,686,110)</u>	<u>(674,108)</u>	<u>-</u>	<u>(12,360,218)</u>
<i>Total accumulated depreciation</i>	<u>(25,401,700)</u>	<u>(1,587,377)</u>	<u>465,116</u>	<u>(26,523,961)</u>
Total capital assets, being depreciated, net	<u>19,031,667</u>	<u>(570,081)</u>	<u>(59,809)</u>	<u>18,401,777</u>
Total capital assets, net	<u>\$ 19,900,871</u>	<u>\$ 323,225</u>	<u>\$ (59,809)</u>	<u>\$ 20,164,287</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<u>Governmental activities:</u>	
General government	\$ 80,123
Security of persons and property	224,884
Transportation	817,900
Leisure time activities	444,843
Economic development	<u>19,627</u>
Total depreciation expense	<u>\$ 1,587,377</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/17</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 903,988	\$ -	\$ -	\$ 903,988
Construction-in-progress	<u>74,792,367</u>	<u>1,487,108</u>	<u>(2,098,505)</u>	<u>74,180,970</u>
<i>Total capital assets, not being depreciated</i>	<u>75,696,355</u>	<u>1,487,108</u>	<u>(2,098,505)</u>	<u>75,084,958</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	38,881,070	1,490,185	-	40,371,255
Buildings and improvements	37,290,647	326,963	(81,421)	37,536,189
Machinery and equipment	7,434,376	224,566	(199,877)	7,459,065
Infrastructure	<u>27,600,975</u>	<u>513,041</u>	<u>-</u>	<u>28,114,016</u>
<i>Total capital assets, being depreciated</i>	<u>111,207,068</u>	<u>2,554,755</u>	<u>(281,298)</u>	<u>113,480,525</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(3,193,700)	(805,639)	-	(3,999,339)
Buildings and improvements	(17,526,991)	(889,138)	65,921	(18,350,208)
Machinery and equipment	(6,000,642)	(246,095)	143,638	(6,103,099)
Infrastructure	<u>(9,871,162)</u>	<u>(544,633)</u>	<u>-</u>	<u>(10,415,795)</u>
<i>Total accumulated depreciation</i>	<u>(36,592,495)</u>	<u>(2,485,505)</u>	<u>209,559</u>	<u>(38,868,441)</u>
Total capital assets, being depreciated, net	<u>74,614,573</u>	<u>69,250</u>	<u>(71,739)</u>	<u>74,612,084</u>
Total capital assets, net	<u>\$ 150,310,928</u>	<u>\$ 1,556,358</u>	<u>\$ (2,170,244)</u>	<u>\$ 149,697,042</u>

Construction in progress represents costs of the water and sewer funds relating to the OEPA Long Term Plan, Water Tower project, and the sludge facility, as of December 31, 2017.

Capital Assets related to Ohio Water Development Authority (OWDA) loans include \$940,443 in capitalized interest.

Depreciation expense was charged to the enterprise funds of the City as follows:

<u>Business-type activities:</u>	<u>Depreciation</u> <u>Expense</u>
Water fund	\$ 2,083,860
Sewer fund	<u>401,645</u>
Total depreciation expense	<u>\$ 2,485,505</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11 - LEASE-PURCHASE AGREEMENT

During 2014, the City entered into a lease-purchase agreement to finance the purchase of a John Deere Loader. Principal and interest payments are made from the water and sewer funds, respectively.

Capital assets consisting of machinery and equipment have been capitalized in the amount of \$109,900 in the business-type activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2017 was \$38,465, leaving a book value of \$71,435.

The following is a schedule of the future minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Loader</u>
2018	\$ 24,025
2019	<u>24,026</u>
Total minimum lease payments	48,051
Less: amount representing interest	<u>(2,106)</u>
Present value of future minimum lease payments	<u>\$ 45,945</u>

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental activities

The City's governmental activities long-term obligations at December 31, 2017 were as follows:

<u>Governmental activities:</u>	<u>Balance 12/31/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/17</u>	<u>Amount Due Within One Year</u>
<u>General obligation bonds:</u>					
Community center	\$ 990,000	\$ -	\$ (320,000)	\$ 670,000	\$ 330,000
Police and fire pension	<u>520,000</u>	<u>-</u>	<u>(60,000)</u>	<u>460,000</u>	<u>60,000</u>
Total general obligation bonds	1,510,000	-	(380,000)	1,130,000	390,000
<u>Other long-term obligations:</u>					
Net pension liability	13,973,357	1,013,033	(884,719)	14,101,671	-
Compensated absences	<u>721,226</u>	<u>92,083</u>	<u>(118,713)</u>	<u>694,596</u>	<u>98,968</u>
Total	16,204,583	1,105,116	(1,383,432)	15,926,267	488,968
Unamortized premium on bonds	<u>26,802</u>	<u>-</u>	<u>(9,434)</u>	<u>17,368</u>	<u>-</u>
Total long-term obligations	<u>\$ 16,231,385</u>	<u>\$ 1,105,116</u>	<u>\$ (1,392,866)</u>	<u>\$ 15,943,635</u>	<u>\$ 488,968</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

General obligation bonds:

Community center bonds:

The community center general obligation bonds were originally issued in 1999, carried an interest rate of 3.25% - 4.85%, and were issued for the construction of a community center. These general obligation bonds were advance refunded in 2009 with the proceeds of a \$3,040,000 refunding bond issue. The refunding bonds carry an interest rate of 2.50% - 4.00%. The bonds are a general obligation of the City, and the principal and interest payments are paid out of the debt service fund. The proceeds of the 2009 general obligation bonds were used for the advance refunding of the 1999 general obligation bonds by purchasing state and local government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance of the refunded bonds at December 31, 2017 is \$670,000; however, this amount is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

Police and fire pension bonds:

On October 31, 2012, the City issued \$745,000 in general obligation bonds. The proceeds of these bonds were used to retire the police and fire past service liability. The bonds bear interest rates ranging from 1.7% to 2.7%. These bonds are a general obligation of the City, and principal and interest payments will be made from the police and fire debt service fund. These bonds mature on December 1, 2024.

Compensated absences:

Compensated absences will be paid from the fund from which the employees' salaries are paid, which for the City is primarily the general fund and the street maintenance fund (a nonmajor governmental fund).

Net pension liability:

The City pays obligations related to employee compensation from the fund benefitting from their service. See Note 15 for further information.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-type activities

The City's business-type activities long-term obligations at December 31, 2017 were as follows:

<u>Business-type activities:</u>	Balance <u>12/31/16</u>	Increases	Decreases	Balance <u>12/31/17</u>	Within <u>One Year</u>
<u>General obligation bonds</u>					
Water refunding series 2012	\$ 4,575,000	\$ -	\$ (300,000)	\$ 4,275,000	\$ 610,000
Total	<u>4,575,000</u>	<u>-</u>	<u>(300,000)</u>	<u>4,275,000</u>	<u>610,000</u>
<u>OPWC loans</u>					
Sewer - series 2001	51,664	-	(10,333)	41,331	10,332
Sewer - series 2004	75,582	-	(8,892)	66,690	8,892
Water - series 2017	-	150,992	-	150,992	3,775
Total	<u>127,246</u>	<u>150,992</u>	<u>(19,225)</u>	<u>259,013</u>	<u>22,999</u>
<u>OWDA loans</u>					
Dam removal project	2,923,263	-	(137,934)	2,785,329	142,945
Water pollution control center expansion	63,276,275	1,845,770	(1,181,527)	63,940,518	-
Water reservoir phase 1	4,720,872	-	(247,925)	4,472,947	256,144
Water reservoir phase 2	1,369,752	-	(72,708)	1,297,044	75,016
Off stream raw water - supply phase 2A	730,323	-	(13,473)	716,850	43,357
Water reservoir phase 1 - supplement	17,102,502	-	(924,094)	16,178,408	951,079
Total	<u>90,122,987</u>	<u>1,845,770</u>	<u>(2,577,661)</u>	<u>89,391,096</u>	<u>1,468,541</u>
<u>Other long-term obligations</u>					
Net pension liability	4,007,771	1,211,214	-	5,218,985	-
Lease-purchase agreement	67,905	-	(21,960)	45,945	22,628
Compensated absences	410,813	25,996	(31,633)	405,176	32,675
Total	99,311,722	3,233,972	(2,950,479)	99,595,215	2,156,843
Unamortized premium on bonds	<u>268,867</u>	<u>-</u>	<u>(33,962)</u>	<u>234,905</u>	<u>-</u>
Total long-term obligations	<u>\$ 99,580,589</u>	<u>\$ 3,233,972</u>	<u>\$ (2,984,441)</u>	<u>\$ 99,830,120</u>	<u>\$ 2,156,843</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

General obligation refunding bonds: water - series 2012

On October 3, 2012, the City issued \$6,900,000 in general obligation current refunding bonds to refund outstanding general obligation bonds. The balance of the refunding bonds at December 31, 2017 is \$4,275,000. The refunding bonds bear an annual interest rate ranging from 2.00% - 5.00% and will mature in 2024. The general obligation bonds are a general obligation of the City, and the principal and interest payments are paid from the water fund. A portion of the proceeds of the bonds were used for the advance refunding of the 2003 general obligation bonds. These proceeds were used to purchase state and local government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance of the refunded bonds at December 31, 2017 is \$4,470,000, but is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

Ohio Public Works Commission (OPWC) loans

The OPWC loans were granted from the Ohio Public Works Commission in 2001, 2004, and 2017, and do not carry an interest rate. The OPWC loans granted in 2001 and 2004 are an obligation of the sewer fund, and the principal payments are paid out of the sewer fund. The OPWC loan granted in 2017 is an obligation of the water fund, and the principal payments are paid out of the water fund. The OPWC loan proceeds were used for improvements to the sewer plant and facilities and waterlines.

Ohio Water Development Authority (OWDA) loans

The City has entered into loans with the Ohio Water Development Authority for the construction of the Water Reservoir Phase 1, Water Reservoir Phase 2, Sewer Dam Removal Project, Water Pollution Control Center Expansion and Off Stream Raw Water Supply Phase 2A. The OWDA loans carry interest rates of 2.49% - 4.49% and mature between July 1, 2031 and July 1, 2046. Repayment of these loans will be funded through user charges.

As of December 31, 2017, loan amounts have not been finalized for the Water Pollution Control Center Expansion; therefore, a schedule of future payments has not been included for this loan.

The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through a future date which has yet to be finalized. Annual principal and interest payments on the loans are expected to require 37.38 percent of net revenues and 16.62 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$31,560,254. Principal and interest paid for the current year were \$2,577,661, total net revenues were \$6,896,357 and total revenues were \$15,506,552.

- C. Principal and interest requirements to retire the general obligation bonds, the OPWC loans, and the police and fire pension liability as of December 31, 2017 are as follows:

Year Ending December 31,	General Obligation Bonds - Community Center			Year Ending December 31,	Pension Liability - Police and Fire Pension		
	Principal	Interest	Total		Principal	Interest	Total
2018	\$ 330,000	\$ 25,150	\$ 355,150	2018	\$ 60,000	\$ 10,520	\$ 70,520
2019	340,000	13,600	353,600	2019	65,000	9,500	74,500
2020	-	-	-	2020	65,000	8,395	73,395
2021	-	-	-	2021	65,000	7,290	72,290
Total	<u>\$ 670,000</u>	<u>\$ 38,750</u>	<u>\$ 708,750</u>	2022	65,000	5,535	70,535
				2023 - 2024	<u>140,000</u>	<u>5,670</u>	<u>145,670</u>
				Total	<u>\$ 460,000</u>	<u>\$ 46,910</u>	<u>\$ 506,910</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending	General Obligation Bonds - Water Series 2012			Year Ending	OPWC Loans Water Series 2017		
December 31,	Principal	Interest	Total	December 31,	Principal	Interest	Total
2018	\$ 610,000	\$ 97,700	\$ 707,700	2018	\$ 3,775	\$ -	\$ 3,775
2019	620,000	73,300	693,300	2019	7,550	-	7,550
2020	630,000	60,900	690,900	2020	7,549	-	7,549
2021	635,000	48,300	683,300	2021	7,550	-	7,550
2022	645,000	35,600	680,600	2022	7,549	-	7,549
2023 - 2025	1,135,000	32,200	1,167,200	2023 - 2027	37,748	-	37,748
Total	<u>\$ 4,275,000</u>	<u>\$ 348,000</u>	<u>\$ 4,623,000</u>	2028 - 2032	37,748	-	37,748
				2033 - 2037	37,748	-	37,748
				2038	3,775	-	3,775
				Total	<u>\$ 150,992</u>	<u>\$ -</u>	<u>\$ 150,992</u>

Year Ending	OPWC Loans - Sewer - Series 2001			Year Ending	OPWC Loans - Sewer - Series 2004		
December 31,	Principal	Interest	Total	December 31,	Principal	Interest	Total
2018	\$ 10,332	\$ -	\$ 10,332	2018	\$ 8,892	\$ -	\$ 8,892
2019	10,333	-	10,333	2019	8,892	-	8,892
2020	10,333	-	10,333	2020	8,892	-	8,892
2021	10,333	-	10,333	2021	8,892	-	8,892
Total	<u>\$ 41,331</u>	<u>\$ -</u>	<u>\$ 41,331</u>	2022	8,892	-	8,892
				2023 - 2025	22,230	-	22,230
				Total	<u>\$ 66,690</u>	<u>\$ -</u>	<u>\$ 66,690</u>

Year Ending	OWDA Loans		
December 31,	Principal	Interest	Total
2018	\$ 1,468,541	\$ 769,499	\$ 2,238,040
2019	1,513,787	724,432	2,238,219
2020	1,560,464	677,940	2,238,404
2021	1,608,619	629,975	2,238,594
2022	1,658,301	580,490	2,238,791
2023 - 2027	9,093,708	2,103,421	11,197,129
2028 - 2032	8,547,158	623,919	9,171,077
Total	<u>\$ 25,450,578</u>	<u>\$ 6,109,676</u>	<u>\$ 31,560,254</u>

- D.** The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2017, the City's total debt margin was \$27,696,608 and the unvoted debt margin was \$14,755,695.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

Employees earn vacation and sick leave at different rates which are also affected by length of service. Vacation can be carried over at different rates depending on the department. Police captains, sergeants, patrol officers, dispatchers and record clerks may carry over five days for use during the first six months of the following year. Sick leave accrual is continuous. Overtime worked is always paid, or accrued, to employees on the paycheck for the period in which it was worked.

Upon retirement, police captains and sergeants are paid for 33.33 percent and firefighters are paid for 33.50 percent of their accumulated hours of sick leave, up to 1,800 hours for a maximum payout of 600 hours. All other employees are paid for 42 percent of their accumulated hours of sick leave, up to 1,200 hours for a maximum payout of 500 hours. Upon retirement, termination, or death of the employee, accrued vacation is paid for time the employees have earned but not yet used.

As of December 31, 2017, the governmental activities liability for compensated absences was \$694,596, the business-type activities liability for compensated absences was \$405,176, and the City's total liability for compensated absences was \$1,099,772.

NOTE 14 - RISK MANAGEMENT

Property and Casualty Insurance

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City belongs to the Public Entities Pool of Ohio "PEP", a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. American Risk Pooling Consultants, Inc. (ARPCO), is a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016 (the latest information available), PEP retained \$350,000 for casualty claims and \$100,000 for property claims. Settlements have not exceeded insurance coverage in each of the past three years and there has not been a significant reduction in coverage from the prior year.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - RISK MANAGEMENT - (Continued)

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016 (latest information available) and 2015:

<u>Casualty & Property Coverage</u>	<u>2016</u>	<u>2015</u>
Assets	\$42,182,281	\$38,307,677
Liabilities	<u>(13,396,700)</u>	<u>(12,759,127)</u>
Net Position	<u>\$28,785,581</u>	<u>\$25,548,550</u>

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$12.0 million and \$11.5 million of estimated incurred claims payable. At December 31, 2016 and 2015, the assets above include approximately \$11.5 million and \$10.8 million of unpaid claims to be billed. The Pool’s membership increased from 499 members in 2015 to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016 (the latest information available), the City’s share of these unpaid claims collectible in future years is approximately \$149,046.

Based on discussions with PEP the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2016	\$236,581
2015	\$232,764

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

The net pension liability/asset represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$756,458 for 2017. Of this amount, \$75,684 is reported as pension and postemployment benefits payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$694,950 for 2017. Of this amount \$64,610 is reported as pension and postemployment benefits payable.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2016, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.04270100%	0.02483000%	0.03009900%	0.16453700%	
Proportion of the net pension liability/asset current measurement date	<u>0.04236600%</u>	<u>0.01365300%</u>	<u>0.01104700%</u>	<u>0.15314500%</u>	
Change in proportionate share	<u>(0.00033500)%</u>	<u>(0.01117700)%</u>	<u>(0.01905200)%</u>	<u>(0.01139200)%</u>	
Proportionate share of the net pension liability	\$ 9,620,598	\$ -	\$ -	\$ 9,700,058	\$ 19,320,656
Proportionate share of the net pension (asset)	-	(7,599)	(46)	-	(7,645)
Pension expense	2,029,199	5,490	57	1,116,135	3,150,881

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources:					
Differences between expected and actual experience	\$ 13,040	\$ -	\$ 469	\$ 2,744	\$ 16,253
Net difference between projected and actual earnings on pension plan investments	1,432,728	1,854	39	943,288	2,377,909
Changes of assumptions	1,525,943	1,852	52	-	1,527,847
Changes in employer's proportionate percentage/difference between employer contributions and proportionate share of contributions	2,862	-	-	58,106	60,968
City contributions subsequent to the measurement date	741,953	8,429	6,076	694,950	1,451,408
Total deferred outflows of resources	<u>\$ 3,716,526</u>	<u>\$ 12,135</u>	<u>\$ 6,636</u>	<u>\$ 1,699,088</u>	<u>\$ 5,434,385</u>
Deferred inflows of resources:					
Differences between expected and actual experience	\$ 57,256	\$ 3,887	\$ -	\$ 22,334	\$ 83,477
Changes in employer's proportionate percentage/difference between employer contributions and proportionate share of contributions	36,877	-	-	516,028	552,905
Total deferred inflows of resources	<u>\$ 94,133</u>	<u>\$ 3,887</u>	<u>\$ -</u>	<u>\$ 538,362</u>	<u>\$ 636,382</u>

\$1,451,408 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2018.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2018	\$ 1,185,226	\$ 361	\$ 82	\$ 276,775	\$ 1,462,444
2019	1,229,286	361	80	276,773	1,506,500
2020	507,926	282	79	179,571	687,858
2021	(41,998)	(376)	66	(157,194)	(199,502)
2022	-	(309)	67	(100,085)	(100,327)
Thereafter	-	(500)	186	(10,064)	(10,378)
Total	\$ 2,880,440	\$ (181)	\$ 560	\$ 465,776	\$ 3,346,595

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 14,697,613	\$ 9,620,598	\$ 5,389,803
Combined Plan	546	(7,599)	(13,926)
Member-Directed Plan	110	(46)	(110)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% - 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return **</u>	<u>30 Year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation			
Protected Securities *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Real Assets	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	<u>120.00 %</u>		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 8.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25%), or one percentage point higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 12,919,318	\$ 9,700,058	\$ 6,971,678

Changes Between Measurement Date and Report Date - In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25% to 8.00%. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$60,152, \$115,389, and \$106,184, respectively; 90.73% has been contributed for 2017 and 100% has been contributed for 2016 and 2017. The remaining 2017 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$9,161 and \$7,379 for the year ended December 31, 2017, \$9,132 and \$7,414 for the year ended December 31, 2016, and \$9,431 and \$7,041, for the year ended December 31, 2015. 100% has been contributed for 2016 and 2015. 90.78% has been contributed for police and 91.06% has been contributed for firefighters for 2017. The remaining 2017 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 56,924
Net adjustment for revenue accruals	(87,664)
Net adjustment for expenditure accruals	41,562
Net adjustment for other sources/uses	(2,764)
Funds budgeted elsewhere	746,405
Adjustment for encumbrances	<u>255,032</u>
GAAP basis	<u>\$ 1,009,495</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund, the recreation trust fund and the municipal income tax fund.

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2017.

B. Litigation

The City is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect, if any, on the financial condition of the City.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 19 - OTHER COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances (not already included in payables) in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 203,984
Other governmental	<u>549,398</u>
Total	<u>\$ 753,382</u>

NOTE 20 - TAX ABATEMENTS

As of December 31, 2017, the City provides tax abatements through two programs: Community Reinvestment Area (CRA) and Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

Ezone - Under the authority of ORC Sections 5709.62 and 5709.63, the Ezone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. An Ezone is a designated area of land in which businesses can receive tax incentives in the form of tax exemptions on qualifying new investment. An Ezone's geographic area is identified by the local government involved in the creation of the zone. Once the zone is defined, the local legislative authority participating in the creation must petition the OSDA. The OSDA must then certify the area for it to become an active Enterprise Zone. The local legislative authority negotiates the terms of the Enterprise Zone Agreement (the "Agreement") with the business, which may include tax sharing with the Board of Education. Legislation must then be passed to approve the Agreement. All Agreements must be finalized before the project begins and may contain provisions for the recoupment of taxes should the individual or entity fail to perform. The amount of the abatement is deducted from the business's property tax bill.

The City has entered into agreements to abate property taxes through these programs. During 2017, the City's property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>City Taxes Abated</u>
CRA	\$ 1,303
Ezone	<u>12,617</u>
Total	<u>\$ 13,920</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 21 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund balance	General	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Materials and supplies inventory	\$ -	\$ 192,762	\$ 192,762
Prepayments	94,439	15,312	109,751
Total nonspendable	<u>94,439</u>	<u>208,074</u>	<u>302,513</u>
Restricted:			
Debt service	-	507,898	507,898
Transporation projects	-	773,358	773,358
Court projects	-	376,369	376,369
Revolving loans	-	381,229	381,229
R.L. Walsh trust	-	744,300	744,300
Other purposes	-	844,450	844,450
Total restricted	<u>-</u>	<u>3,627,604</u>	<u>3,627,604</u>
Committed:			
Capital projects	-	1,454,469	1,454,469
Recreation	-	257,410	257,410
Municipal income tax	5,506,009	-	5,506,009
Total committed	<u>5,506,009</u>	<u>1,711,879</u>	<u>7,217,888</u>
Assigned:			
General government	31,261	-	31,261
Securities of persons and property	143,572	-	143,572
Community environment	835	-	835
Leisure time activities	1,879	-	1,879
Economic environment	20	-	20
Recreation trust	28,893	-	28,893
Subsequent year appropriations	417,370	-	417,370
Debt service	-	196,644	196,644
Total assigned	<u>623,830</u>	<u>196,644</u>	<u>820,474</u>
Unassigned (deficit)	<u>2,575,043</u>	<u>(145,084)</u>	<u>2,429,959</u>
Total fund balances	<u>\$ 8,799,321</u>	<u>\$ 5,599,117</u>	<u>\$ 14,398,438</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FOUR YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.042366%	0.042701%	0.042375%	0.042375%
City's proportionate share of the net pension liability	\$ 9,620,598	\$ 7,396,351	\$ 5,110,899	\$ 4,995,460
City's covered payroll	\$ 5,385,900	\$ 5,227,550	\$ 5,606,342	\$ 5,080,531
City's proportionate share of the net pension liability as a percentage of its covered payroll	178.63%	141.49%	91.16%	98.33%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.013653%	0.024830%	0.023261%	0.023261%
City's proportionate share of the net pension asset	\$ 7,599	\$ 12,083	\$ 8,956	\$ 2,441
City's covered payroll	\$ 90,375	\$ 81,633	\$ 85,025	\$ 92,938
City's proportionate share of the net pension asset as a percentage of its covered payroll	8.41%	14.80%	10.53%	2.63%
Plan fiduciary net position as a percentage of the total pension asset	116.55%	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.011047%	0.030099%	n/a	n/a
City's proportionate share of the net pension asset	\$ 46	\$ 115	n/a	n/a
City's covered payroll	\$ 103,158	\$ 94,308	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.04%	0.12%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.40%	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FOUR YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.15314500%	0.16453700%	0.16301960%	0.16301960%
City's proportionate share of the net pension liability	\$ 9,700,058	\$ 10,584,777	\$ 8,445,095	\$ 7,939,566
City's covered payroll	\$ 3,309,112	\$ 3,244,724	\$ 3,529,882	\$ 3,208,481
City's proportionate share of the net pension liability as a percentage of its covered payroll	293.13%	326.22%	239.25%	247.46%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST EIGHT YEARS

	2017	2016	2015	2014
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 741,953	\$ 646,308	\$ 627,306	\$ 672,761
Contributions in relation to the contractually required contribution	(741,953)	(646,308)	(627,306)	(672,761)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 5,707,331	\$ 5,385,900	\$ 5,227,550	\$ 5,606,342
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 8,429	\$ 10,845	\$ 9,796	\$ 10,203
Contributions in relation to the contractually required contribution	(8,429)	(10,845)	(9,796)	(10,203)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 64,838	\$ 90,375	\$ 81,633	\$ 85,025
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 6,076	\$ 12,379	\$ 11,317	
Contributions in relation to the contractually required contribution	(6,076)	(12,379)	(11,317)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	
City's covered payroll	\$ 60,760	\$ 103,158	\$ 94,308	
Contributions as a percentage of covered payroll	10.00%	12.00%	12.00%	

Note: Information prior to 2010 was unavailable for the Traditional Plan and Combined Plan and information prior to 2015 was unavailable for the Member Directed Plan. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 660,469	\$ 504,556	\$ 497,061	\$ 463,608
<u>(660,469)</u>	<u>(504,556)</u>	<u>(497,061)</u>	<u>(463,608)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,080,531	\$ 5,045,560	\$ 4,970,610	\$ 5,199,342
13.00%	10.00%	10.00%	8.92%
\$ 12,082	\$ 6,924	\$ 5,826	\$ 5,382
<u>(12,082)</u>	<u>(6,924)</u>	<u>(5,826)</u>	<u>(5,382)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 92,938	\$ 87,094	\$ 73,283	\$ 55,561
13.00%	7.95%	7.95%	9.69%

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	2017	2016	2015	2014
<i>Police:</i>				
Contractually required contribution	\$ 348,117	\$ 347,013	\$ 348,937	\$ 374,445
Contributions in relation to the contractually required contribution	(348,117)	(347,013)	(348,937)	(374,445)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,832,195	\$ 1,826,384	\$ 1,836,511	\$ 1,970,763
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 346,833	\$ 348,441	\$ 330,930	\$ 366,393
Contributions in relation to the contractually required contribution	(346,833)	(348,441)	(330,930)	(366,393)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,475,885	\$ 1,482,728	\$ 1,408,213	\$ 1,559,119
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 287,288	\$ 248,290	\$ 245,226	\$ 247,179	\$ 238,093	\$ 239,955
<u>(287,288)</u>	<u>(248,290)</u>	<u>(245,226)</u>	<u>(247,179)</u>	<u>(238,093)</u>	<u>(239,955)</u>
<u>\$ -</u>					
\$ 1,808,739	\$ 1,947,373	\$ 1,923,341	\$ 1,938,659	\$ 1,867,396	\$ 1,882,000
15.88%	12.75%	12.75%	12.75%	12.75%	12.75%
\$ 285,314	\$ 246,301	\$ 239,539	\$ 254,503	\$ 247,740	\$ 239,532
<u>(285,314)</u>	<u>(246,301)</u>	<u>(239,539)</u>	<u>(254,503)</u>	<u>(247,740)</u>	<u>(239,532)</u>
<u>\$ -</u>					
\$ 1,399,742	\$ 1,427,832	\$ 1,388,632	\$ 1,475,380	\$ 1,436,174	\$ 1,388,591
20.38%	17.25%	17.25%	17.25%	17.25%	17.25%

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

June 8, 2018

To the City Council
City of Fremont
Sandusky County, Ohio
323 South Front Street
Fremont, Ohio 43420

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fremont, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

Hea & Associates, Inc.

Lima, Ohio

June 8, 2018

To the City Council
City of Fremont
Sandusky County, Ohio
323 South Front Street
Fremont, Ohio 43420

**Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited the City of Fremont's, Sandusky County, Ohio (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are 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 the 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 each of the City's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Fremont, Sandusky County, Ohio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the City 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 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.

Rea & Associates, Inc.

Lima, Ohio

**CITY OF FREMONT
SANDUSKY COUNTY, OHIO**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR	Federal	Pass Through	Federal	Amount Paid to
<i>Pass Through Grantor</i>	CFDA	Entity	Disbursements	Subrecipients
Program Title	Number	Number		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>Passed through the Ohio Department of Development</i>				
Community Development Block Grants States Program				
Community Development Program	14.228	A-F-15-2BP-1	\$ 3,540	\$ -
Community Development Program	14.228	A-F-16-2BP-1	46,200	-
Community Housing Improvement Program	14.228	A-C-15-2BP-1	215,776	-
CDBG Revolving Loan Fund	14.228	n/a	36,876	-
Total Community Development Block Grants			<u>302,392</u>	<u>-</u>
Home Investment Partnerships Program	14.239	A-C-15-2BP-2	86,355	-
Total Home Investment Partnerships Program			<u>86,355</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>388,747</u>	<u>-</u>
U.S. DEPARTMENT OF THE INTERIOR				
<i>Passed through the Ohio Department of Natural Resources</i>				
Fish and Wildlife Management Assistance	15.608	F11AP00529	191,792	-
U.S. DEPARTMENT OF JUSTICE				
<i>Direct Assistance</i>				
Equitable Sharing Program	16.922	OH0720300	21,183	-
Total U.S. Department of Justice			<u>21,183</u>	<u>-</u>
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed through the Ohio Department of Transportation</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	PID#102871	704,220	-
Total Highway Planning and Construction Cluster			<u>704,220</u>	<u>-</u>
Total U.S. Department of Transportation			<u>704,220</u>	<u>-</u>
Total Federal Awards Expenditures			<u>\$ 1,305,942</u>	<u>\$ -</u>

**CITY OF FREMONT
SANDUSKY COUNTY, OHIO**

*Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended December 31, 2017*

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Fremont (the City) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared 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 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The current cash balance on the Governments local program income account as of December 31, 2017 is \$79,644.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**CITY OF FREMONT
SANDUSKY COUNTY, OHIO**
*Schedule of Findings and Questioned Costs
2 CFR Section 200.515
December 31, 2017*

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list): Highway Planning & Construction Cluster	CFDA 20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Office of the Auditor

Paul D. Grahl, Auditor, CFO
 Terri Moore, Chief Deputy Auditor
 Sonya Gower, Assistant Auditor
 Lisa Schrickel, Assistant Auditor

Summary Schedule of Prior Audit Findings
 2 CFR Section 200.511(b)
 December 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material audit adjustments	Corrective Action Taken and Finding is Fully Corrected	None
2016-002	Ohio Rev. Code § 5705.10(H): negative cash balance	Partially Corrected	The City made a \$1.2 million transfer from the Water Operating Fund to the Water Improvement Fund in 2017, reducing the negative cash balance to \$150,141. The remaining negative cash balance was not transferred in 2017, because the City is waiting on grant reimbursement for eligible expenditures. Downgraded to Management Letter comment.