



**CITY OF FREMONT
SANDUSKY COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

**CITY OF FREMONT
SANDUSKY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	22
Statement of Activities	24
Fund Financial Statements:	
Balance Sheet - Governmental Funds	26
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	27
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	30
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) - Municipal Income Tax Fund	31
Statement of Net Assets - Proprietary Funds.....	32
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	33
Statement of Cash Flows - Proprietary Funds	34
Statement of Fiduciary Net Assets - Fiduciary Fund.....	35
Notes to the Basic Financial Statements	36
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	67
Schedule of Findings.....	69
Schedule of Prior Audit Findings.....	70

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Fremont
Sandusky County
323 South Front Street
Fremont, Ohio 43420-3037

To the City Council:

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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Municipal Income Tax funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 25, 2008

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
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, 2007. 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 2007 are as follows:

- The total net assets of the City decreased \$844,119 or 1.09% from 2006. Net assets of governmental activities decreased \$1,461,625 or 4.2% from 2006 and net assets of business-type activities increased \$617,506 or 1.46% over 2006.
- General revenues accounted for \$11,361,280 or 80.51% of total governmental activities revenue. Program specific revenues accounted for \$2,750,865 or 19.49% of total governmental activities revenue.
- The City had \$14,451,938 in expenses related to governmental activities; \$2,750,865 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$11,701,073 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$11,361,280.
- The general fund had revenues and other financing sources of \$8,333,780 in 2007. This represents an increase of \$248,932 or 3.08% from 2006. The expenditures and other financing uses of the general fund, which totaled \$8,152,240 in 2007, increased \$226,763 or 2.86% from 2006. The net increase in fund balance for the general fund was \$181,540 or 6.32%.
- The municipal income tax fund had revenues of \$7,822,639 in 2007. The expenditures of the municipal income tax fund totaled \$537,868 in 2007. The municipal income tax fund had transfers out to other funds in the amount of \$7,380,000. The net decrease in fund balance for the municipal income tax fund was \$95,229.
- The capital improvement fund had revenues and other financing sources of \$1,955,417 in 2007. The expenditures of the capital improvement fund totaled \$2,299,731 in 2007. The net decrease in fund balance for the capital improvement fund was \$344,314.
- Net assets for the business-type activities, which are made up of the Water and Sewer enterprise funds, increased in 2007 by \$617,506. This increase in net assets was due primarily to transfers in from governmental funds.
- In the general fund, actual revenues and other financing sources were \$482,601 higher than the final budget revenues and other financing sources and actual expenditures and other financing uses were \$495,995 less than the final budget expenditures and other financing uses. These positive variances are the result of the City's conservative budgeting. Budgeted expenditures and other financing uses increased \$73,000 from the original budget to the final budget, primarily due to an increase in security of persons and property expenditures.

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

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 assets 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.

Reporting the City as a Whole

Statement of Net Assets 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 2007?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, 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 assets and changes in those assets. This change in net assets 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 assets 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 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

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 focuses on the City's most significant funds.

Governmental Funds

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

Because the focus of 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. 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 funds are the general fund, municipal income tax fund and capital improvement 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

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.

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.

Government-Wide Financial Analysis

The table below provides a summary of the City's net assets for 2007 and 2006:

	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>2007 Total</u>	<u>2006 Total</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>		
Assets						
Current and other assets	\$ 15,967,655	\$ 16,611,747	\$ 6,688,589	\$ 6,680,002	\$ 22,656,244	\$ 23,291,749
Capital assets	<u>24,060,409</u>	<u>24,877,079</u>	<u>46,590,000</u>	<u>47,019,691</u>	<u>70,650,409</u>	<u>71,896,770</u>
Total assets	<u>40,028,064</u>	<u>41,488,826</u>	<u>53,278,589</u>	<u>53,699,693</u>	<u>93,306,653</u>	<u>95,188,519</u>
Liabilities						
Long-term liabilities outstanding	4,955,214	5,130,027	9,866,294	10,700,933	14,821,508	15,830,960
Other liabilities	<u>1,714,683</u>	<u>1,539,007</u>	<u>611,068</u>	<u>815,039</u>	<u>2,325,751</u>	<u>2,354,046</u>
Total liabilities	<u>6,669,897</u>	<u>6,669,034</u>	<u>10,477,362</u>	<u>11,515,972</u>	<u>17,147,259</u>	<u>18,185,006</u>
Net Assets						
Invested in capital assets, net of related debt	20,715,409	21,327,079	37,124,735	37,134,109	57,840,144	58,461,188
Restricted	3,343,308	3,428,803			3,343,308	3,428,803
Unrestricted	<u>9,299,450</u>	<u>10,063,910</u>	<u>5,676,492</u>	<u>5,049,612</u>	<u>14,975,942</u>	<u>15,113,522</u>
Total net assets	<u>\$ 33,358,167</u>	<u>\$ 34,819,792</u>	<u>\$ 42,801,227</u>	<u>\$ 42,183,721</u>	<u>\$ 76,159,394</u>	<u>\$ 77,003,513</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2007, the City's assets exceeded liabilities by \$76,159,394. At year-end, net assets were \$33,358,167 and \$42,801,227 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, 2007
UNAUDITED
(Continued)**

Capital assets reported on the government-wide statements represent the largest portion of the City's net assets. At year-end, capital assets represented 75.72% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. Capital assets, net of related debt to acquire the assets at December 31, 2007, were \$20,715,409 and \$37,124,735 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.

As of December 31, 2007, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net assets, \$3,343,308 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$9,299,450 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal years 2007 and 2006.

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>	Business-type Activities <u>2007</u>	Business-type Activities <u>2006</u>	<u>2007 Total</u>	<u>2006 Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,016,102	\$ 1,179,706	\$ 7,466,979	\$ 7,017,308	\$ 8,483,081	\$ 8,197,014
Operating grants and contributions	1,592,896	862,431	14,362		1,607,258	862,431
Capital grants and contributions	<u>141,867</u>	<u>98,289</u>	<u>1,866</u>	<u>427,038</u>	<u>143,733</u>	<u>525,327</u>
Total program revenues	<u>2,750,865</u>	<u>2,140,426</u>	<u>7,483,207</u>	<u>7,444,346</u>	<u>10,234,072</u>	<u>9,584,772</u>
General revenues:						
Property taxes	1,159,989	1,140,398			1,159,989	1,140,398
Income taxes	7,590,310	7,468,594			7,590,310	7,468,594
Unrestricted grants and entitlements	1,247,187	1,205,859			1,247,187	1,205,859
Investment earnings	831,562	792,926	58,595	96,144	890,157	889,070
Miscellaneous	<u>532,232</u>	<u>375,584</u>	<u>42,515</u>	<u>98,922</u>	<u>574,747</u>	<u>474,506</u>
Total general revenues	<u>11,361,280</u>	<u>10,983,361</u>	<u>101,110</u>	<u>195,066</u>	<u>11,462,390</u>	<u>11,178,427</u>
Total revenues	<u>14,112,145</u>	<u>13,123,787</u>	<u>7,584,317</u>	<u>7,639,412</u>	<u>21,696,462</u>	<u>20,763,199</u>
Expenses:						
General government	2,278,024	2,411,585			2,278,024	2,411,585
Security of persons and property	5,534,509	5,122,066			5,534,509	5,122,066
Public health and welfare	11,118	17,779			11,118	17,779
Transportation	3,487,774	1,716,735			3,487,774	1,716,735
Community environment	609,384	306,448			609,384	306,448
Leisure time activity	2,213,110	1,927,287			2,213,110	1,927,287
Economic development	124,159	188,343			124,159	188,343
Other		1,159				1,159
Interest and fiscal charges	193,860	255,933			193,860	255,933
Water			4,481,684	3,908,604	4,481,684	3,908,604
Sewer			<u>3,606,959</u>	<u>3,918,495</u>	<u>3,606,959</u>	<u>3,918,495</u>
Total expenses	<u>14,451,938</u>	<u>11,947,335</u>	<u>8,088,643</u>	<u>7,827,099</u>	<u>22,540,581</u>	<u>19,774,434</u>
Changes in net assets before transfers	(339,793)	1,176,452	(504,326)	(187,687)	(844,119)	988,765
Transfers	<u>(1,121,832)</u>	<u>(1,111,381)</u>	<u>1,121,832</u>	<u>1,111,381</u>		
Change in net assets	(1,461,625)	65,071	617,506	923,694	(844,119)	988,765
Net assets at beginning of year	<u>34,819,792</u>	<u>34,754,721</u>	<u>42,183,721</u>	<u>41,260,027</u>	<u>77,003,513</u>	<u>76,014,748</u>
Net assets at end of year	<u>\$ 33,358,167</u>	<u>\$ 34,819,792</u>	<u>\$ 42,801,227</u>	<u>\$ 42,183,721</u>	<u>\$ 76,159,394</u>	<u>\$ 77,003,513</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Governmental Activities

Governmental activities net assets decreased \$1,461,625 in 2007. This decrease is a result of decreased revenues and transfers to the business-type activities.

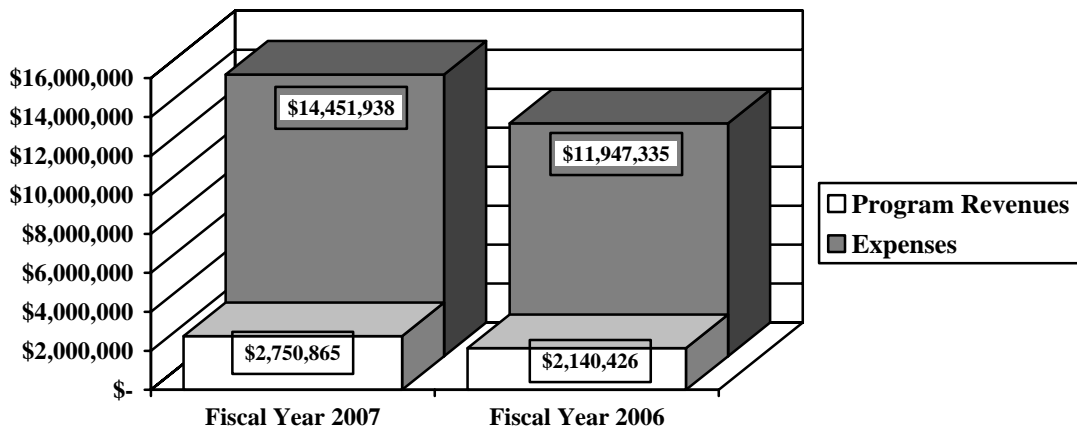
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$5,534,509 of the total expenses of the City. These expenses were partially funded by \$303,573 in direct charges to users of the services. General government expenses totaled \$2,278,024. General government expenses were partially funded by \$140,292 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$1,592,896 in operating grants and contributions and \$141,867 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total capital grants and contributions, \$90,029 subsidized security of persons and property programs. Of the total operating grants and contributions, \$1,060,730 subsidized transportation programs, \$508,893 subsidized community environment programs and \$14,604 subsidized security of persons and property activities.

General revenues totaled \$11,361,280, and amounted to 80.51% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$8,750,299. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$1,247,187.

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 Expenses



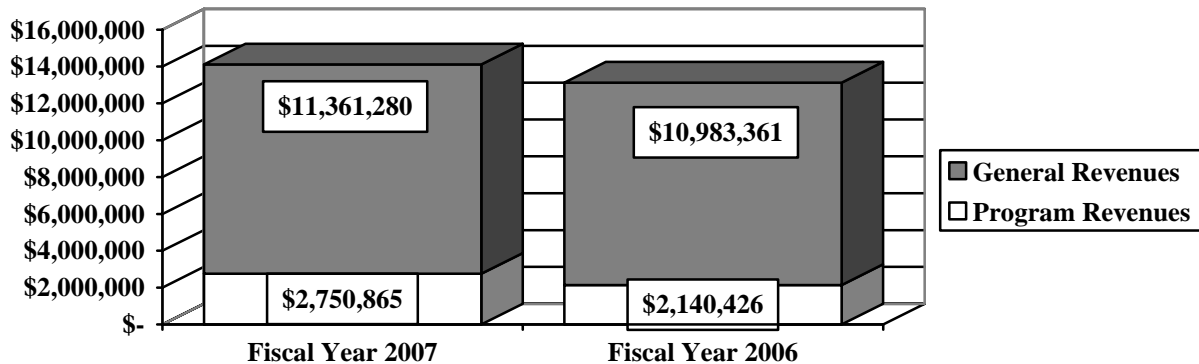
**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

	Governmental Activities			
	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program Expenses:				
General government	\$ 2,278,024	\$ 2,096,605	\$ 2,411,585	\$ 2,286,506
Security of persons and property	5,534,509	5,126,303	5,122,066	4,728,104
Public health and welfare	11,118	10,219	17,779	17,779
Transportation	3,487,774	2,426,044	1,716,735	805,043
Community environment	609,384	90,603	306,448	118,175
Leisure time activity	2,213,110	1,641,323	1,927,287	1,405,967
Economic development	124,159	116,116	188,343	188,243
Other			1,159	1,159
Interest and fiscal charges	<u>193,860</u>	<u>193,860</u>	<u>255,933</u>	<u>255,933</u>
Total	<u>\$ 14,451,938</u>	<u>\$ 11,701,073</u>	<u>\$ 11,947,335</u>	<u>\$ 9,806,909</u>

The dependence upon general revenues for governmental activities is apparent, with 80.96% of expenses supported through taxes and other general revenues.

Governmental Activities – General and Program Revenues



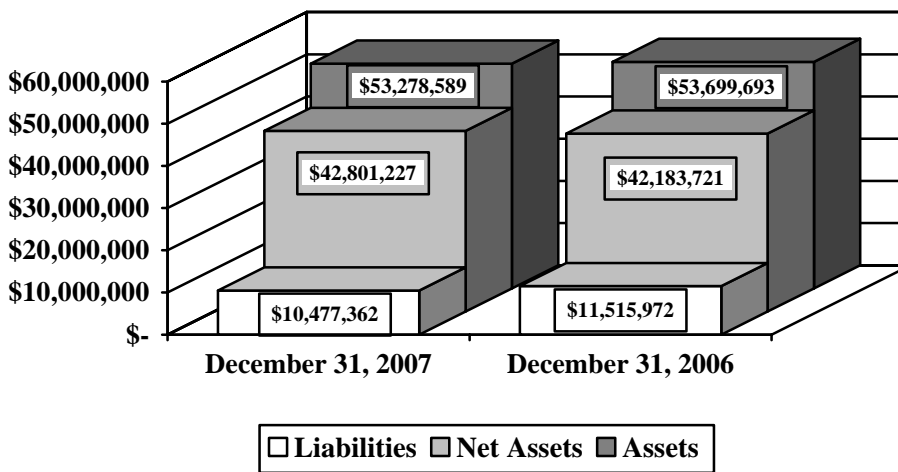
**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$7,483,207, general revenues of \$101,110, transfers in of \$1,121,832 and expenses of \$8,088,643 for 2007. The graph below shows the business-type activities assets, liabilities and net assets at year-end.

Net Assets 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, unreserved 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 reported a combined fund balance of \$13,513,792 which is \$672,668 below last year's total of \$14,186,460. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2007 for all major and nonmajor governmental funds.

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

	<u>Fund Balances</u> <u>12/31/07</u>	<u>Fund Balances</u> <u>12/31/06</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 3,056,233	\$ 2,874,693	\$ 181,540
Municipal income tax	4,635,616	4,730,845	(95,229)
Capital improvement	1,235,429	1,579,743	(344,314)
Other nonmajor governmental funds	4,586,514	5,001,179	(414,665)
Total	<u>\$ 13,513,792</u>	<u>\$ 14,186,460</u>	<u>\$ (672,668)</u>

General Fund

The City's general fund balance increased \$181,540, primarily due to an increase in revenues. The table that follows assists in illustrating the revenues of the general fund.

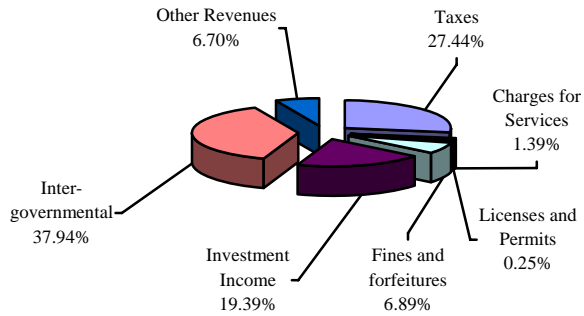
	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 975,166	\$ 952,975	2.33 %
Charges for services	49,284	48,512	1.59 %
Licenses and permits	8,868	8,199	8.16 %
Fines and forfeitures	244,922	386,356	(36.61) %
Intergovernmental	1,348,734	1,153,315	16.94 %
Investment income	689,166	645,198	6.81 %
Other	238,167	130,293	82.79 %
Total	<u>\$ 3,554,307</u>	<u>\$ 3,324,848</u>	6.90 %

Tax revenue represents 27.44% of all general fund revenue. Tax revenue increased slightly by 2.33% over the prior year. The increase in taxes revenue is due to an increase in the collections of real and other taxes. The increase in investment income is due to aggressive management of the City's investment portfolio. Intergovernmental revenues increased 16.94% due to the City aggressively seeking state and federal grants. All other revenue remained comparable to 2006 with the exception of the decrease in fines and forfeitures which was due to less receivables in 2007.

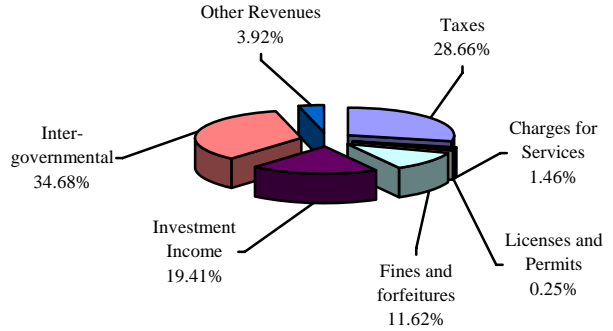
**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Revenues – Fiscal Year 2007



Revenues – Fiscal Year 2006



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

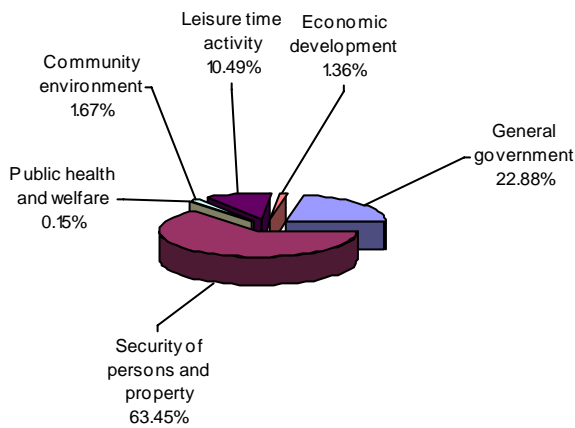
	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,740,441	\$ 1,633,249	6.56 %
Security of persons and property	4,827,533	4,646,658	3.89 %
Public health and welfare	11,532	17,887	(35.53) %
Community environment	126,721	124,741	1.59 %
Leisure time activity	797,927	829,797	(3.84) %
Economic development	103,086	101,986	1.08 %
Other		1,159	100.00 %
Total	<u>\$ 7,607,240</u>	<u>\$ 7,355,477</u>	3.42 %

**CITY OF FREMONT
SANDUSKY COUNTY**

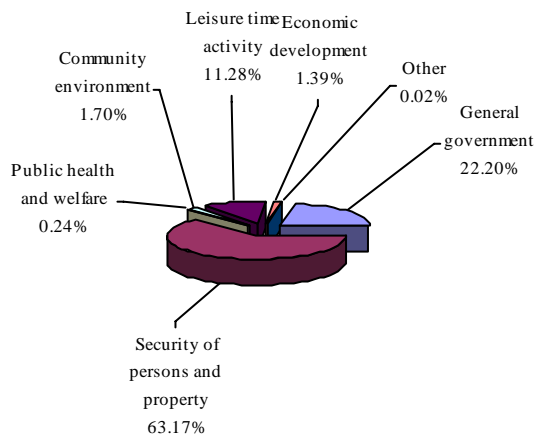
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

The most significant decrease was in the area of public health and welfare. These decreases are primarily due to the control of expenditures by the City. All other expenditures remained comparable to 2006. The largest expenditure line item, security of persons and property, increased slightly, which is primarily attributed to wage and benefit increases and overall cost increases in purchased goods and services.

Expenditures - Fiscal Year 2007



Expenditures - Fiscal Year 2006



Municipal Income Tax Fund

The municipal income tax fund had revenues of \$7,822,639 in 2007. The expenditures of the municipal income tax fund totaled \$537,868 in 2007. The municipal income tax fund had transfers out to other funds in the amount of \$7,380,000. The net decrease in fund balance for the municipal income tax fund was \$95,229.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$1,955,417 in 2007. The expenditures of the capital improvement fund totaled \$2,299,731 in 2007. The net decrease in fund balance for the capital improvement fund was \$344,314.

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, 2007
UNAUDITED
(Continued)**

Budgetary information is presented for the general fund and municipal income tax 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 \$73,000 from \$8,605,238 to \$8,678,238. Actual revenues and other financing sources of \$8,349,151 exceeded final budgeted revenues and other financing sources by \$482,601. 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 \$495,995 lower than the final budgeted amounts.

In the municipal income tax fund, one of the most significant changes was between the actual revenues of \$7,822,782 being lower than final budgeted revenues by \$77,218. The other significant change was between the final budgeted expenditures and actual expenditures. Actual expenditures came in \$50,572 lower than the final budgeted amounts.

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.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the City had \$70,650,409 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress (CIP). Of this total, \$24,060,409 was reported in governmental activities and \$46,590,000 was reported in business-type activities. The following table shows fiscal 2007 balances compared to 2006:

**CITY OF FREMONT
SANDUSKY COUNTY**

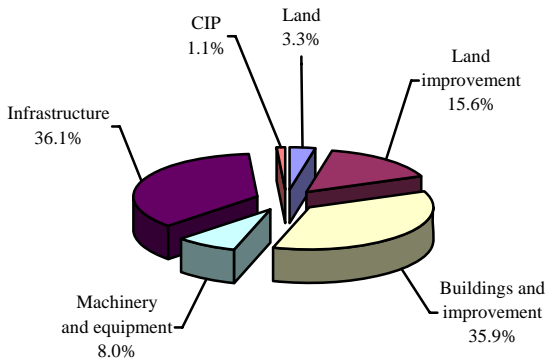
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

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

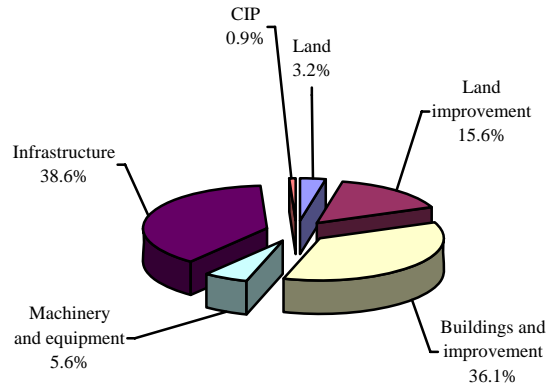
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 798,709	\$ 798,709	\$ 898,891	\$ 898,891	\$ 1,697,600	\$ 1,697,600
Land improvements	3,754,211	3,870,062	1,394,157	1,420,768	5,148,368	5,290,830
Buildings and improvements	8,631,867	8,971,059	24,876,526	26,080,117	33,508,393	35,051,176
Machinery and equipment	1,915,194	1,392,433	3,362,704	3,670,259	5,277,898	5,062,692
Infrastructure	8,690,602	9,628,535	15,397,031	14,416,282	24,087,633	24,044,817
Construction in progress	<u>269,826</u>	<u>216,281</u>	<u>660,691</u>	<u>533,374</u>	<u>930,517</u>	<u>749,655</u>
Totals	<u>\$ 24,060,409</u>	<u>\$ 24,877,079</u>	<u>\$ 46,590,000</u>	<u>\$ 47,019,691</u>	<u>\$ 70,650,409</u>	<u>\$ 71,896,770</u>

The following graphs show the breakdown of governmental capital assets by category for 2007 and 2006.

Capital Assets - Governmental Activities 2007



Capital Assets - Governmental Activities 2006



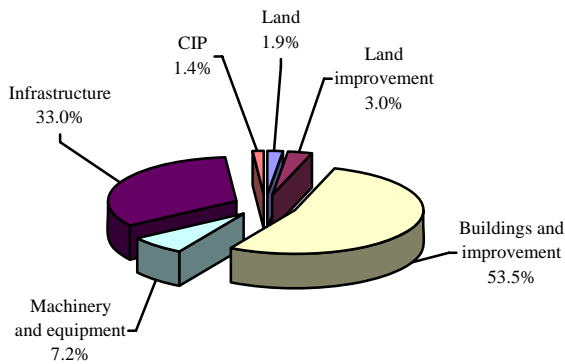
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 36.1% of the City's total governmental capital assets.

**CITY OF FREMONT
SANDUSKY COUNTY**

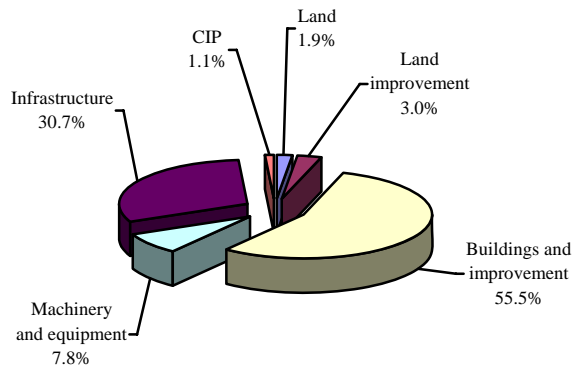
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

The following graphs show the breakdown of business-type capital assets by category for 2007 and 2006.

Capital Assets - Business-Type Activities 2007



Capital Assets - Business-Type Activities 2006



The City's second largest business-type capital asset category is infrastructure that primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 33.0% of the City's total business-type capital assets.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2007 and 2006:

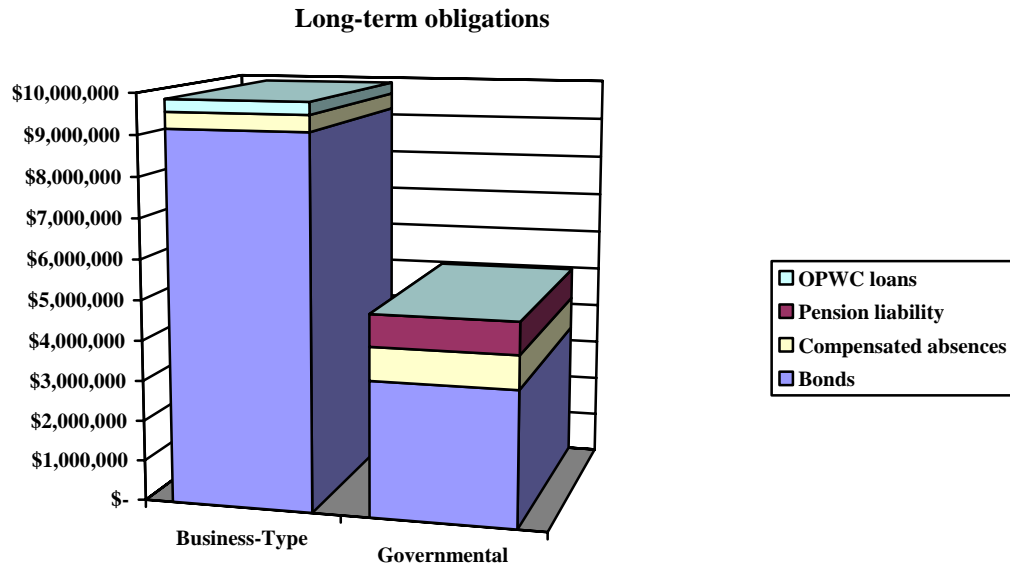
	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Compensated absences	\$ 819,757	\$ 774,588
General obligation bonds	3,345,000	3,550,000
Pension liability	<u>790,457</u>	<u>805,439</u>
Total long-term obligations	<u>\$ 4,955,214</u>	<u>\$ 5,130,027</u>

	Business-type Activities	
	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 9,165,000	\$ 9,970,000
OPWC loans	300,265	319,490
Compensated absences	<u>401,029</u>	<u>411,443</u>
Total long-term obligations	<u>\$ 9,866,294</u>	<u>\$ 10,700,933</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

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



Economic Conditions and Outlook

Tom Carmack, one of the principal owners of Automatic Fire Protection Systems Inc, found himself in the position that he needed to move his business from his location in Perrysburg, Ohio. After evaluating several different options, the former McNaughton-McKay building on 326 Jackson Street met his needs. Mr. Carmack renovated the facility earning honors as a recipient of the Mayor's Award for Neighborhood Excellence. Five employees began work at the 12,276 sq. ft. facility in August and several pipe fitters are employed on the job sites.

KF Ventures, Ltd. is constructing a \$3,150,000 manufacturing facility on 8.2 acres which will be available for sale or lease when completed in March 2008. Accommodations within the project allow for a significant office build-out as may be required by a new occupant. The 126,000 sq. ft. building is located in Fremont North Industrial Park and will have railroad access. Style Crest Logistics will use the building for warehousing until a tenant can be found. Two permanent full-time and two part-time positions will be created.

Crown Battery continues to be a leader in the battery manufacturing industry. Most recently, Hal Hawk, President of Crown Battery announced the expansion of his business with the purchase of a division of C&D Technologies that will create 20-30 new jobs in Fremont. The deal involves the purchase of assets of a factory in Reynosa, Mexico that will be moved to Crown's Fremont location. In addition, Crown Battery will add three additional distribution facilities, one in the western United States and two in Canada. Mr. Hawk explains that the model of moving production to Mexico to save costs does not always work. He says the turnover rate is high, their quality is poor, and transportation costs with the rising price of fuel make the overall cost of doing business in Mexico prohibitive. Crown Battery continues to look for opportunities and could realize another expansion in early 2008 that would increase production, create more jobs and require additional building space.

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

The ethanol industry has experienced major changes in the last year. Investment companies that were once poised to fund development deals have backed off leaving ethanol plants on the drawing board across the country. Michigan Sugar Company has been working with the City of Fremont since 2004 to build an ethanol plant at the former sugar factory on North Front Street. Ground was to be broken in August 2007 for the 50 million gallon per year ethanol plant making Ohio Renewable Fuels one of approximately 130 existing plants in the United States. The State of Ohio's Tax Credit Authority approved a \$102,000 job-creation tax credit for the project and other local incentives were being worked on. Permits were being secured and the project was ready to begin when Michigan Sugar Company's major equity investment corporation pulled out of the deal. The project is now indefinitely on hold.

Construction of Calpine's 540 megawatt gas-fired combined cycle electric generating facility began in September 2001 and is nearly 70% complete. Calpine estimates the cost to complete the project is approximately \$150 million. It will take 12-18 months to complete the project. Since Calpine is still in bankruptcy and has been unable to secure a long-term power purchase agreement, they decided to sell all the assets of the project. FirstEnergy Corporation was the highest bidder to purchase the plant and expect to close on the deal during March 2008. It should be noted, while still in bankruptcy, Calpine Corporation continued to meet their commitment of making annual payments in lieu of taxes in the amount of \$676,000 to the Fremont schools, \$24,000 to Vanguard Career Center, \$60,000 to the City of Fremont and \$60,000 to Sandusky Township.

In order for the Fremont Company to complete a major building and infrastructure improvement project that will add six new jobs to the existing 75 full-time and 15 seasonal workers, the City of Fremont must upgrade sewer lines and street pavement on Liberty and Milton Streets. A \$100,000 grant from the Ohio Department of Development's Roadway (629) Development Fund and a \$300,000 grant from Fremont's Revolving Loan Fund will be used to help pay for the upgrades. The \$438,893 project is slated to begin in February and must be completed by June 30, 2008.

On September 14, 2007, Memorial Hospital held a ribbon cutting ceremony and open house at the newly constructed \$6.3 million 33,000 sq. ft. Herbert-Perna Center for Physical Health. Memorial Hospital's occupational medicine program provides a service to area employers which include injury care, job site evaluation, physical exams, drug testing and hearing and breathing exams. The program has been designed to reduce workers' compensation costs. The rehabilitation service will offer physical and occupational therapy for the entire population that the hospital serves.

Century Die has been producing blow molds for the plastics industry for over 50 years and has become one of Fremont's best places to work. Over the past several years, Century Die has been growing its business at the Stone Street location. One of their old buildings was demolished and construction on a new 7,800 sq. ft. building was completed in early 2007. Additional equipment was purchased and new jobs have been added to the existing workforce.

After working with the City of Fremont for several months, SeedAmerica acquired the former DG Trim building at 113 N. Jefferson Street. Through the 561 Exchange Program, SeedAmerica acquires underused buildings and helps companies realize more cash, than if the properties were sold at list price. SeedAmerica provides a fast, safe and simple way for companies to sell underused industrial, warehousing or manufacturing properties. Marketing information has been developed and the company is aggressively seeking a user for the building. Several prospects have been told about the facility and interest in the building continues to grow.

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

There was a significant increase in activity in Fremont's Revolving Loan Fund program in 2008. One loan was approved to Robert and Rebecca Carter to open a family oriented recreational facility at the former indoor go-kart track on Dickinson Street. In February, 2008, a \$240,000 RLF loan was disbursed which together with additional commercial and SBA loans will help fund the opening of the Journey's Family Amusement Center. Ten full-time jobs will be created as a result of the project.

The three-year widening project of North State Route 53 was substantially completed by Great Lakes Construction Company in August 2007 just in time to accommodate the Sandusky County Fair goers. The \$15 million project eased the traffic congestion in the North State Route 53 corridor where commercial and industrial development has grown the last 12 years. What became a very busy two-lane highway is now a safe four-lane highway that moves traffic well. Major upgrades were done to the intersections from North Street to the I80/90 Ohio Turnpike.

In March of 2004, the Sandusky County Commissioners and the City of Fremont entered into an agreement to provide Fremont Rural Residential Water service to sections of Ballville, Rice, Riley and Sandusky Townships without requiring annexation. Upon sufficient interest in a given area, the City of Fremont will evaluate the feasibility of supplying water to that area. The City of Fremont took an aggressive role during 2007 to make water available to customers outside the city limits. The Economic Development Director was asked by the Mayor to play an active role in the efforts of organizing portions of the project and securing easements. In response to residents from the Ponds View and Michaels Road area requesting water service from the City of Fremont, construction began in June 2007 to run a water line along Hayes Avenue. This water main will provide service to the businesses and residents on Hayes Avenue, Michaels Road and Ponds Side Drive. This project was tied together with water line extensions on Buckland Avenue to Pinewood Drive and on Napoleon Road south of the Prairie.

Holiday Inn tapped into a water line that was run along Port Clinton Road from the city limits. The residents along Port Clinton Road were sent a letter making them aware that Fremont Rural Residential Water was available and the procedure to acquire a tap. In addition, Kurt Hirt requested water for his residential development on Pleasant Drive. It is expected that the interest for Fremont Rural Residential Water will rise and the City has committed to work on increasing its rural water customers.

Downtown Fremont had a banner year in 2007. Farmers Markets that were held the third Saturday in June, July, August and September were hugely successful. Hundreds of people enjoyed the events that prompted the addition of another Farmers Market for the month of October beginning in 2008. In conjunction with area farmers/growers, greenhouses, orchards and niche market vendors selling their products along Front Street, Downtown hosted special events to coincide with the hours of the open air market.

Holiday DeLights, the drive-thru light display provided a fifth year of entertainment for residents from Fremont and surrounding communities. This downtown fundraiser was again successful at providing revenues for downtown development while at the same time providing a holiday tradition for area families.

Two streetscape projects occurred during 2007. A decorative brick wall was built between the city's parking lot and sidewalk by students in the masonry program at Vanguard Career Center. Brick pavers were laid on Garrison Street, Bidwell Avenue and Croghan Street.

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Other activities included a book signing event at the Open Book, a marketing seminar for downtown merchants, and a visit from Bill Ryan from the University of Wisconsin Center for Community and Economic Development. Mr. Ryan is an expert on downtown and business district market analysis and provided input to help our downtown. Angie Morelock, Executive Director of Downtown Fremont, Inc. continues to work with the City of Fremont on downtown revitalization efforts.

Contacting the City's Financial Management

This financial report is designed to provide our citizen's, 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. John Lauer, City Auditor, City of Fremont, 323 South Front Street, Fremont, Ohio 43420-3037.

**CITY OF FREMONT
SANDUSKY COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 12,022,807	\$ 4,784,662	\$ 16,807,469
Investments in segregated accounts			
Receivables (net of allowances for uncollectibles):			
Income taxes	1,692,721		1,692,721
Property and other local taxes	893,604		893,604
Accounts	170,050	929,875	1,099,925
Loans	250,267		250,267
Due from other governments	875,259		875,259
Materials and supplies inventory	62,958	291,188	354,146
Deferred bond issuance costs		367,303	367,303
Internal balance	(11)	11	
Restricted assets:			
Equity in pooled cash and cash equivalents		42,550	42,550
Cash with escrow agents		273,000	273,000
Capital assets:			
Land and construction-in-progress	1,068,535	1,559,582	2,628,117
Depreciable capital assets, net	22,991,874	45,030,418	68,022,292
Total capital assets	24,060,409	46,590,000	70,650,409
 Total assets	40,028,064	53,278,589	93,306,653
 Liabilities:			
Accounts payable	302,137	124,139	426,276
Accrued wages and benefits	329,193	144,103	473,296
Pension obligation payable	199,987	10,202	210,189
Due to claimants	6,006		6,006
Due to other governments	1,444		1,444
Accrued interest payable	47,518	17,074	64,592
Unearned revenue	828,398		828,398
Payable from restricted assets:			
Refundable deposits		42,550	42,550
Retainage payable		273,000	273,000
Long-term liabilities:			
Due within one year	315,771	472,458	788,229
Due in more than one year	4,639,443	9,393,836	14,033,279
 Total liabilities	6,669,897	10,477,362	17,147,259
 Net assets:			
Invested in capital assets, net of related debt	20,715,409	37,124,735	57,840,144
Restricted for:			
Debt service	170,402		170,402
Transportation projects	1,264,425		1,264,425
Other purposes	1,908,481		1,908,481
Unrestricted	9,299,450	5,676,492	14,975,942
 Total net assets	\$ 33,358,167	\$ 42,801,227	\$ 76,159,394

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 2,278,024	\$ 140,292	\$ 8,669	\$ 32,458
Security of persons and property	5,534,509	303,573	14,604	90,029
Public health and welfare	11,118	684		215
Transportation.	3,487,774	1,000	1,060,730	
Community environment	609,384	7,525	508,893	2,363
Leisure time activity	2,213,110	556,907		14,880
Economic development.	124,159	6,121		1,922
Interest and fiscal charges.	193,860			
Total governmental activities	<u>14,451,938</u>	<u>1,016,102</u>	<u>1,592,896</u>	<u>141,867</u>
Business-type Activities:				
Water	4,481,684	3,466,523		
Sewer	<u>3,606,959</u>	<u>4,000,456</u>	<u>14,362</u>	<u>1,866</u>
Total business-type activities	<u>8,088,643</u>	<u>7,466,979</u>	<u>14,362</u>	<u>1,866</u>
Total primary government	<u>\$ 22,540,581</u>	<u>\$ 8,483,081</u>	<u>\$ 1,607,258</u>	<u>\$ 143,733</u>

General Revenues:

Income taxes levied for:	
Special purposes.	
Property taxes levied for:	
General purposes	
Police pension.	
Fire pension.	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues.	
Transfers.	
Change in net assets	
Net assets at beginning of year	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net Revenue (Expense) and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,096,605)		\$ (2,096,605)
(5,126,303)		(5,126,303)
(10,219)		(10,219)
(2,426,044)		(2,426,044)
(90,603)		(90,603)
(1,641,323)		(1,641,323)
(116,116)		(116,116)
(193,860)		(193,860)
<u>(11,701,073)</u>		<u>(11,701,073)</u>
	\$ (1,015,161)	(1,015,161)
	409,725	409,725
	(605,436)	(605,436)
<u>(11,701,073)</u>	<u>(605,436)</u>	<u>(12,306,509)</u>
7,590,310		7,590,310
975,913		975,913
92,038		92,038
92,038		92,038
1,247,187		1,247,187
831,562	58,595	890,157
532,232	42,515	574,747
<u>11,361,280</u>	<u>101,110</u>	<u>11,462,390</u>
<u>(1,121,832)</u>	<u>1,121,832</u>	
(1,461,625)	617,506	(844,119)
34,819,792	42,183,721	77,003,513
<u>\$ 33,358,167</u>	<u>\$ 42,801,227</u>	<u>\$ 76,159,394</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Municipal Income Tax</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 3,345,710	\$ 3,000,468	\$ 1,455,772	\$ 4,203,192	\$ 12,005,142
Receivables (net of allowance for uncollectibles):					
Income taxes		1,692,721			1,692,721
Property and other local taxes	726,060			167,544	893,604
Accounts	80,994	83,398		5,658	170,050
Loans				250,267	250,267
Due from other governments	469,435			405,824	875,259
Materials and supplies inventory				62,958	62,958
Total assets	<u>\$ 4,622,199</u>	<u>\$ 4,776,587</u>	<u>\$ 1,455,772</u>	<u>\$ 5,095,443</u>	<u>\$ 15,950,001</u>
Liabilities:					
Accounts payable	\$ 55,432	\$ 539	\$ 220,343	\$ 25,243	\$ 301,557
Accrued wages and benefits	278,929	5,711		41,947	326,587
Compensated absences payable	30,312				30,312
Pension obligation payable	196,429	408		2,975	199,812
Due to claimants	6,006				6,006
Due to other governments	1,444				1,444
Deferred revenue	324,340	134,313		283,440	742,093
Unearned revenue	673,074			155,324	828,398
Total liabilities	<u>1,565,966</u>	<u>140,971</u>	<u>220,343</u>	<u>508,929</u>	<u>2,436,209</u>
Fund balances:					
Reserved for encumbrances	32,924	2,482	351,532	102,844	489,782
Reserved for materials and supplies inventory				62,958	62,958
Reserved for loans				191,676	191,676
Reserved for unclaimed monies	6,006				6,006
Unreserved:					
Designated for workers compensation	329,771				329,771
Undesignated, reported in:					
General fund	2,687,532				2,687,532
Special revenue funds		4,633,134		3,645,597	8,278,731
Debt service funds				217,920	217,920
Capital projects funds			883,897	365,519	1,249,416
Total fund balances	<u>3,056,233</u>	<u>4,635,616</u>	<u>1,235,429</u>	<u>4,586,514</u>	<u>13,513,792</u>
Total liabilities and fund balances	<u>\$ 4,622,199</u>	<u>\$ 4,776,587</u>	<u>\$ 1,455,772</u>	<u>\$ 5,095,443</u>	<u>\$ 15,950,001</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

Total governmental fund balances \$ 13,513,792

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

Capital assets used in governmental activities
are not financial resources and therefore are not
reported in the funds. 24,060,409

Other long-term assets are not available to pay for current period
expenditures and therefore are deferred in the funds.

Income tax	\$	134,313	
Property and other local taxes		65,206	
Intergovernmental		542,574	
		542,574	
Total			742,093

Internal service funds are used by management to charge the costs of
internal equipment service and employee benefits to individual funds.
The assets and liabilities of the internal service funds are included in
governmental activities on the statement of net assets. 14,304

An internal balance is recorded in governmental activities to reflect
overpayments to the internal service fund by the business-type
activities. (11)

In the statement of activities interest is accrued on outstanding bonds,
whereas in governmental funds, interest expenditures are reported
when due. (47,518)

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		3,345,000	
Ohio Police and Fire pension obligation		790,457	
Compensated absences		789,445	
		789,445	
Total			(4,924,902)

Net assets of governmental activities \$ 33,358,167

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, 2007**

	<u>General</u>	<u>Municipal Income Tax</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Income taxes		\$ 7,622,918			\$ 7,622,918
Property and other local taxes	\$ 975,166			\$ 183,912	1,159,078
Charges for services	49,284			510,528	559,812
Licenses, permits and fees	8,868				8,868
Fines and forfeitures	244,922			53,864	298,786
Intergovernmental	1,348,734			1,768,234	3,116,968
Special assessments			\$ 148,636		148,636
Investment income	689,166		24,196	118,200	831,562
Other	238,167	199,721	7,585	51,354	496,827
Total revenues.	<u>3,554,307</u>	<u>7,822,639</u>	<u>180,417</u>	<u>2,686,092</u>	<u>14,243,455</u>
Expenditures:					
Current:					
General government	1,740,441	537,868		10,232	2,288,541
Security of persons and property.	4,827,533			692,774	5,520,307
Public health and welfare	11,532				11,532
Transportation				1,325,948	1,325,948
Community environment.	126,721			508,424	635,145
Leisure time activity	797,927			957,626	1,755,553
Economic development and assistance	103,086				103,086
Capital outlay.			2,299,731	588,999	2,888,730
Debt service:					
Principal retirement				219,982	219,982
Interest and fiscal charges				202,704	202,704
Total expenditures	<u>7,607,240</u>	<u>537,868</u>	<u>2,299,731</u>	<u>4,506,689</u>	<u>14,951,528</u>
Excess (deficiency) of revenues over (under) expenditures	(4,052,933)	7,284,771	(2,119,314)	(1,820,597)	(708,073)
Other financing sources (uses):					
Transfers in	4,760,000		1,775,000	1,390,000	7,925,000
Transfers out	(545,000)	(7,380,000)			(7,925,000)
Sale of capital assets.	19,473			15,932	35,405
Total other financing sources (uses)	<u>4,234,473</u>	<u>(7,380,000)</u>	<u>1,775,000</u>	<u>1,405,932</u>	<u>35,405</u>
Net change in fund balances	181,540	(95,229)	(344,314)	(414,665)	(672,668)
Fund balances at beginning of year.	2,874,693	4,730,845	1,579,743	5,001,179	14,186,460
Fund balances at end of year	<u>\$ 3,056,233</u>	<u>\$ 4,635,616</u>	<u>\$ 1,235,429</u>	<u>\$ 4,586,514</u>	<u>\$ 13,513,792</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, 2007

Net change in fund balances - total governmental funds \$ (672,668)

*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 are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital asset additions	\$ 2,691,920	
Current year depreciation	<u>(1,455,179)</u>	
Total		1,236,741

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. (2,053,411)

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

Delinquent property taxes	(32,608)	
Intergovernmental	911	
Municipal income taxes	<u>(135,018)</u>	
Total		(166,715)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 219,982

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 8,844

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. (14,857)

Internal service funds 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 funds, including internal balances, is allocated among the governmental activities. (19,541)

Change in net assets of governmental activities \$ (1,461,625)

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, 2007

	<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	\$ 871,440	\$ 871,440	\$ 924,902	\$ 53,462
Charges for services	46,435	46,435	49,284	2,849
Licenses, permits and fees	8,355	8,355	8,868	513
Fines and forfeitures	285,819	285,819	303,354	17,535
Intergovernmental	1,307,088	1,307,088	1,387,276	80,188
Investment income	658,668	658,668	699,076	40,408
Other	170,688	170,688	181,159	10,471
Total revenues.	<u>3,348,493</u>	<u>3,348,493</u>	<u>3,553,919</u>	<u>205,426</u>
Expenditures:				
Current:				
General government	1,960,978	1,971,978	1,756,464	215,514
Security of persons and property.	4,912,708	4,999,708	4,824,657	175,051
Public health and welfare	27,129	27,129	11,656	15,473
Community environment.	136,524	136,524	127,347	9,177
Leisure time activity	865,875	865,875	798,294	67,581
Economic development and assistance	111,024	111,024	103,066	7,958
Other	6,000	5,000		5,000
Total expenditures	<u>8,020,238</u>	<u>8,117,238</u>	<u>7,621,484</u>	<u>495,754</u>
Deficiency of revenues under expenditures.	<u>(4,671,745)</u>	<u>(4,768,745)</u>	<u>(4,067,565)</u>	<u>701,180</u>
Other financing sources (uses):				
Sale of capital assets.	18,347	18,347	19,473	1,126
Transfers in.	4,499,710	4,499,710	4,775,759	276,049
Transfers out	(585,000)	(561,000)	(560,759)	241
Total other financing sources (uses)	<u>3,933,057</u>	<u>3,957,057</u>	<u>4,234,473</u>	<u>277,416</u>
Net change in fund balance.	(738,688)	(811,688)	166,908	978,596
Fund balance at beginning of year.	3,027,701	3,027,701	3,027,701	
Prior year encumbrances appropriated	<u>59,033</u>	<u>59,033</u>	<u>59,033</u>	
Fund balance at end of year	<u>\$ 2,348,046</u>	<u>\$ 2,275,046</u>	<u>\$ 3,253,642</u>	<u>\$ 978,596</u>

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)
MUNICIPAL INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income taxes	\$ 7,761,340	\$ 7,761,340	\$ 7,685,477	\$ (75,863)
Other	138,660	138,660	137,305	(1,355)
Total revenues.	<u>7,900,000</u>	<u>7,900,000</u>	<u>7,822,782</u>	<u>(77,218)</u>
Expenditures:				
Current:				
General government	540,931	590,931	540,359	50,572
Excess of revenues over expenditures	<u>7,359,069</u>	<u>7,309,069</u>	<u>7,282,423</u>	<u>(26,646)</u>
Other financing uses:				
Transfers out	<u>(7,380,000)</u>	<u>(7,380,000)</u>	<u>(7,380,000)</u>	
Net change in fund balance.	(20,931)	(70,931)	(97,577)	(26,646)
Fund balance at beginning of year	3,090,348	3,090,348	3,090,348	
Prior year encumbrances appropriated	<u>4,676</u>	<u>4,676</u>	<u>4,676</u>	
Fund balance at end of year	<u><u>\$ 3,074,093</u></u>	<u><u>\$ 3,024,093</u></u>	<u><u>\$ 2,997,447</u></u>	<u><u>\$ (26,646)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007**

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 2,649,930	\$ 2,134,732	\$ 4,784,662	\$ 17,665
Receivables (net of allowance for uncollectibles):				
Accounts	468,154	461,721	929,875	
Materials and supplies inventory	239,019	52,169	291,188	
Noncurrent assets:				
Restricted assets:				
Equity in pooled cash and cash equivalents.	42,550		42,550	
Cash with escrow agents	273,000		273,000	
Deferred bond issuance costs.	367,303		367,303	
Capital assets:				
Land and construction-in-progress.	1,005,958	553,624	1,559,582	
Depreciable capital assets, net	35,180,147	9,850,271	45,030,418	
Total capital assets	<u>36,186,105</u>	<u>10,403,895</u>	<u>46,590,000</u>	
Total assets	<u>40,226,061</u>	<u>13,052,517</u>	<u>53,278,578</u>	<u>17,665</u>
Liabilities:				
Current liabilities:				
Accounts payable.	34,736	89,403	124,139	580
Accrued wages and benefits	63,499	80,604	144,103	2,606
Pension obligation payable	4,398	5,804	10,202	175
Accrued interest payable	17,074		17,074	
Current portion of compensated absences.	19,964	28,270	48,234	
Current portion of general obligation bonds payable	405,000		405,000	
Current portion of OPWC loans payable		19,224	19,224	
Payable from restricted assets:				
Refundable deposits	42,550		42,550	
Retainage payable	273,000		273,000	
Total current liabilities.	<u>860,221</u>	<u>223,305</u>	<u>1,083,526</u>	<u>3,361</u>
Long-term liabilities:				
Compensated absences	142,053	210,742	352,795	
General obligation bonds payable.	8,760,000		8,760,000	
OPWC loans payable.		281,041	281,041	
Total long-term liabilities.	<u>8,902,053</u>	<u>491,783</u>	<u>9,393,836</u>	
Total liabilities	<u>9,762,274</u>	<u>715,088</u>	<u>10,477,362</u>	<u>3,361</u>
Net assets:				
Invested in capital assets, net of related debt	27,021,105	10,103,630	37,124,735	
Unrestricted	<u>3,442,682</u>	<u>2,233,799</u>	<u>5,676,481</u>	<u>14,304</u>
Total net assets.	<u>\$ 30,463,787</u>	<u>\$ 12,337,429</u>	42,801,216	<u>\$ 14,304</u>
Adjustment to reflect the consolidation of the internal service fund activity related to enterprise funds			<u>11</u>	
Net assets of business-type activities			<u>\$ 42,801,227</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Operating revenues:				
Charges for services	\$ 3,452,058	\$ 4,000,456	\$ 7,452,514	\$ 78,482
Tap-in fees	14,465		14,465	
Special assessments		908	908	
Other	16,704	25,811	42,515	198
Total operating revenues	<u>3,483,227</u>	<u>4,027,175</u>	<u>7,510,402</u>	<u>78,680</u>
Operating expenses:				
Personal services	1,572,502	1,895,811	3,468,313	61,835
Contractual services	294,549	386,508	681,057	3,729
Materials and supplies	402,519	310,697	713,216	3,781
Utilities expense	196,294	375,966	572,260	8,298
Depreciation	1,365,072	543,821	1,908,893	
Other	68,752	63,754	132,506	953
Total operating expenses	<u>3,899,688</u>	<u>3,576,557</u>	<u>7,476,245</u>	<u>78,596</u>
Operating income (loss)	<u>(416,461)</u>	<u>450,618</u>	<u>34,157</u>	<u>84</u>
Nonoperating revenues (expenses):				
Interest revenue	52,260	6,335	58,595	
Interest and fiscal charges	(415,617)	(31,134)	(446,751)	
Loss on sale of capital assets	(174,547)	(9,767)	(184,314)	
Intergovernmental		14,362	14,362	
Total nonoperating revenues (expenses)	<u>(537,904)</u>	<u>(20,204)</u>	<u>(558,108)</u>	
Net income (loss) before transfers and capital contributions	(954,365)	430,414	(523,951)	84
Capital contributions	1,111,798	10,034	1,121,832	
Changes in net assets	157,433	440,448	597,881	84
Net assets at beginning of year	<u>30,306,354</u>	<u>11,896,981</u>		<u>14,220</u>
Net assets at end of year	<u>\$ 30,463,787</u>	<u>\$ 12,337,429</u>		<u>\$ 14,304</u>
Adjustment to reflect the consolidation of the internal service fund activity related to enterprise fund:			19,625	
Change in net assets of business-type activities			<u>\$ 617,506</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, 2007**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Cash flows from operating activities:				
Cash received from charges for services	\$ 3,501,711	\$ 3,962,185	\$ 7,463,896	\$ 78,482
Cash received from tap-in fees	14,465		14,465	
Cash received from special assessments		908	908	
Cash received from other operations	32,179	25,811	57,990	198
Cash payments for personal services	(1,588,188)	(1,884,299)	(3,472,487)	(61,618)
Cash payments for contractual services	(294,400)	(360,758)	(655,158)	(5,367)
Cash payments for materials and supplies	(489,519)	(305,155)	(794,674)	(2,244)
Cash payments for utilities expense	(211,184)	(387,444)	(598,628)	(8,300)
Cash payments for other expenses	(84,777)	(63,754)	(148,531)	(953)
Net cash provided by operating activities	<u>880,287</u>	<u>987,494</u>	<u>1,867,781</u>	<u>198</u>
Cash flows from noncapital financing activities:				
Cash received operating grants		14,362	14,362	
Net cash provided by noncapital financing activities		<u>14,362</u>	<u>14,362</u>	
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets	(399,356)	(344,861)	(744,217)	
Cash received from proceeds of the sale of capital assets	3,003		3,003	
Cash payments for principal retirement	(390,000)	(434,225)	(824,225)	
Cash payments for interest and fiscal charges	(402,308)	(9,338)	(411,646)	
Net cash used in capital and related financing activities	<u>(1,188,661)</u>	<u>(788,424)</u>	<u>(1,977,085)</u>	
Cash flows from investing activities:				
Cash received from interest earned	52,260	6,335	58,595	
Net cash provided by investing activities	<u>52,260</u>	<u>6,335</u>	<u>58,595</u>	
Net decrease in cash and cash equivalents	(256,114)	219,767	(36,347)	198
Cash and cash equivalents at beginning of year	<u>3,221,594</u>	<u>1,914,965</u>	<u>5,136,559</u>	<u>17,467</u>
Cash and cash equivalents at end of year	<u>\$ 2,965,480</u>	<u>\$ 2,134,732</u>	<u>\$ 5,100,212</u>	<u>\$ 17,665</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (416,461)	\$ 450,618	\$ 34,157	\$ 84
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,365,072	543,821	1,908,893	
Changes in assets and liabilities:				
(Increase) Decrease in accounts receivable	49,653	(38,271)	11,382	
Increase in materials and supplies inventory	(65,480)	(7,816)	(73,296)	
Increase (Decrease) in accounts payable	(36,417)	26,056	(10,361)	(122)
Increase (Decrease) in accrued wages and benefits	(1,643)	8,054	6,411	204
Increase (Decrease) in compensated absences payable	(14,187)	3,773	(10,414)	
Increase in pension obligation payable	300	1,259	1,559	32
Decrease in refundable deposits liability	(550)		(550)	
Net cash provided by (used) operating activities	<u>\$ 880,287</u>	<u>\$ 987,494</u>	<u>\$ 1,867,781</u>	<u>\$ 198</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2007

		Agency
Assets:		
Equity in pooled cash and cash equivalents	\$	51,683
Cash in segregated accounts		5,840
Receivables:		
Accounts		2,289
		59,812
Total assets	\$	59,812
 Liabilities:		
Due to other governments.	\$	35,511
Deposits held and due to others.		24,301
		59,812
Total liabilities	\$	59,812

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, 2007**

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 City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The City has elected not to apply these FASB Statements and Interpretations. The most significant of the City's accounting policies are described below.

A. Reporting Entity

A reporting entity is composed 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".

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 influence significantly 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 for which the City approves the budget, the issuance of debt, or the levying of taxes. Based upon these criteria, the City has no component units, but is a member of an insurance pool described in Note 13.

B. Basis of Presentation - Fund Accounting

The City's basic financial statements consist of government-wide statements, including a statement of net assets 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, 2007
(Continued)**

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

Government-Wide Financial Statements - The statement of net assets 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 assets 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 liabilities is reported as fund balance. The following are the City’s major governmental funds:

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund.

Municipal Income Tax Fund - The municipal income tax fund, a special revenue fund, accounts for monies derived from the 1.5% municipal income tax.

Capital Improvement Fund - The capital improvement fund, a capital projects fund, accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Other governmental funds of the City are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, 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 residents and commercial users located within the City.

Internal Service Funds - The internal service funds account 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 funds report on the operations of the servicing of internal equipment and the accumulation of monies for the payment of insurance premiums for employee benefits.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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 and all liabilities associated with the operation of the City are included on the statement of net assets.

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 and current liabilities 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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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 revenue and in the presentation of expenses versus expenditures.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

Revenues - Exchange and Non-exchange 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.

Non-exchange 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, fees, grants, interest, and special assessments.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2007, but which were levied to finance year 2008 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as unearned revenue. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2007, are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

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, 2007
(Continued)**

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 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. Prior to 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 find 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 2007.

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. 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 2007.

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.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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 a reservation of fund balance for subsequent year expenditures for governmental fund types.

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 Cash Equivalents" 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 fiscal year 2007, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, repurchase agreements and nonnegotiable certificates of deposit.

Investments are reported at fair value, except for non-negotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

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 2007 was \$689,166, which includes \$520,729 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.

An analysis of the City's investment account at year end is provided in Note 4.

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.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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.

On fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve 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 assets 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 assets 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 fair market values as of the date received. 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. There was no interest capitalized during 2007.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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.

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, compensated absences, and contractually required pension contributions 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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.

N. Fund Balance Reserves and Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds. The City reports a reservation of fund balance for encumbrances, materials and supplies inventory, loans, and unclaimed monies in the governmental fund financial statements.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the City Council. The designation within the General Fund represents monies set aside by the Council for future payment of workers' compensation.

O. Restricted Assets

Customer deposits are held in the Water Fund to assure payment of utility bills, but retained earnings have not been reserved, since this restriction is imposed by City Council.

Cash and cash equivalents are held separately for the City by escrow agents for payment of retainage to contractors upon project completion.

Restricted assets at December 31, 2007, are comprised of the following:

	<u>Cash and Cash Equivalents</u>
Customer deposits	\$ 42,550
Retainage payable	<u>273,000</u>
Total restricted assets	<u>\$ 315,550</u>

P. Unamortized Bond Issuance Costs

Bond issuance costs for governmental and business-type activities are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Bond issuance costs are recorded as deferred charges, which is included in noncurrent assets on the proprietary funds statement of net assets.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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

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, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as nonoperating revenue in the proprietary fund financial statements. During 2007, the water enterprise fund received \$1,111,798 and the sewer enterprise fund received \$10,034 in capital contributions.

S. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets 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 assets are available.

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. Neither type of transaction occurred during 2007.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Changes in Accounting Principles

For 2007, the City has implemented GASB Statement No. 43, "Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans", GASB Statement No. 45, "Accounting And Financial Reporting By Employers For Postemployment Benefits Other Than Pensions", and GASB Statement No. 48, "Sales And Pledges Of Receivables And Future Revenues And Intra-Entity Transfers Of Assets And Future Revenues".

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

GASB Statements No. 43 and No. 45 establish uniform standards of financial reporting for other postemployment benefit plans and increase the usefulness and improve the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 43 and No. 45 did not have an effect on the financial statements of the City; however, the Postemployment Benefit disclosures (See Note 15) have been modified for their implementation.

GASB Statement No. 48 established criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the City.

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;
4. Bonds and other obligations of the State of Ohio;

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 Treasurer's investment pool (STAR Ohio);
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed twenty-five 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 twenty-five 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;
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, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the 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 \$42,550 in restricted assets for refundable deposits from customers of the water fund. The City also had \$273,000 in restricted assets for escrow accounts whose use is limited to payment of retainage to contractors. These amounts are included in the "Deposits with Financial Institutions" below.

A. Deposits with Financial Institutions

As of December 31, 2007, the carrying amount of all City deposits was \$6,531,736. At December 31, 2007, \$362,305 of the City's bank balance of \$7,066,789 was covered by the Federal Deposit Insurance Corporation, and \$6,704,484 was exposed to custodial credit risk as discussed below.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

B. Investments

As of December 31, 2007, the City had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
FHLMC	\$ 500,170	\$ 500,170	
FHLB	502,500		\$ 502,500
STAR Ohio	8,603,296	8,603,296	
Repurchase Agreement	1,037,000	1,037,000	
	<u>\$ 10,642,966</u>	<u>\$ 10,140,466</u>	<u>\$ 502,500</u>

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.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk: STAR Ohio carries 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 service rating. The City's other investments were rated AAA and Aaa by Standard & Poor's.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 500,170	4.70%
FHLB	502,500	4.72%
STAR Ohio	8,603,296	80.84%
Repurchase Agreement	<u>1,037,000</u>	<u>9.74%</u>
	<u>\$ 10,642,966</u>	<u>100.00%</u>

C. Reconciliation of Cash and Investments to the Statement of Net Assets

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 assets as of December 31, 2007:

Cash and Investments per Note Disclosure

Carrying amount of deposits	\$ 6,531,736
Investments	10,642,966
Cash in segregated accounts	<u>5,840</u>
Total	<u>\$ 17,180,542</u>

Cash and Investments per Statement of Net Assets

Governmental activities	\$ 12,022,807
Business type activities	5,100,212
Agency funds	<u>57,523</u>
Total	<u>\$ 17,180,542</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2007 consisted of the following, as reported in the fund financial statements:

<u>Transfers out of General fund to:</u>	
Nonmajor governmental funds	\$ 545,000
<u>Transfers out of Municipal Income Tax fund to:</u>	
General fund	4,760,000
Capital Improvement fund	1,775,000
Nonmajor governmental funds	<u>845,000</u>
Total	<u>\$ 7,925,000</u>

All transfers were legal and in compliance with Ohio Revised Code. Transfers between governmental funds are eliminated for reporting in the governmental statement of activities. Transfers out of the General fund were made when police and fire pension liability payments became due. Transfers out of the Municipal Income Tax fund were to distribute the City's income tax collections.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Real property tax revenues received in 2007 represent the collection of 2006 taxes. For 2007, real property taxes were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. These taxes will be collected in and are intended to finance 2008 operations. Assessed values for real property taxes are established by state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2003, and the last triennial update was completed in 2006. Real property taxes are payable annually or semiannually. 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 were levied after October 1, 2006, on the assessed values as of December 31, 2005, the lien date. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2007
(Continued)**

NOTE 6 - PROPERTY TAXES – (Continued)

Tangible personal property tax revenues received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2007-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Fremont. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2007. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2007 operations.

The full tax rate for all City operations for the year ended December 31, 2007 was \$3.20 per \$1,000 of assessed value. The assessed values of real, public utility, and tangible personal property upon which 2007 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real property	\$ 244,622,640
Public utility property	10,092,910
Tangible personal property	<u>33,121,450</u>
Total assessed value	<u>\$ 287,837,000</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

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 receipts are credited to the Municipal Income Tax Fund and amounted to \$7,622,918 in 2007.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2007, consisted of taxes, accounts (billings for user charged services), loans, 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, 2007, as well as intended to finance fiscal 2007 operations.

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

<u>Receivables:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Income taxes	\$ 1,692,721	
Property and other local taxes	893,604	
Accounts	170,050	\$ 929,875
Loans	250,267	
Due from other governments	<u>875,259</u>	
Total	<u>\$ 3,881,901</u>	<u>\$ 929,875</u>

Receivables have been disaggregated on the face of the basic financial statements. The only receivable not expected to be collected within the subsequent year are the loans receivable, which are collected over the life of the loan.

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 2007, there were loans to five businesses with a total principal balance of \$250,267. \$58,591 is the amount due within one year, and \$191,676 is due in more than one year.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

<u>Governmental Activities</u>	<u>Balance 12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/07</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 798,709			\$ 798,709
Construction-in-progress	216,281	\$ 557,747	\$ (504,202)	269,826
<i>Total capital assets, not being depreciated</i>	<u>1,014,990</u>	<u>557,747</u>	<u>(504,202)</u>	<u>1,068,535</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,482,178	83,684		4,565,862
Buildings and improvements	12,073,609	5,135		12,078,744
Machinery and equipment	4,280,619	907,773	(339,199)	4,849,193
Infrastructure	18,023,011	1,137,581	(3,750,365)	15,410,227
<i>Total capital assets, being depreciated</i>	<u>38,859,417</u>	<u>2,134,173</u>	<u>(4,089,564)</u>	<u>36,904,026</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(612,116)	(199,535)		(811,651)
Buildings and improvements	(3,102,550)	(344,327)		(3,446,877)
Machinery and equipment	(2,888,186)	(327,933)	282,120	(2,933,999)
Infrastructure	(8,394,476)	(583,384)	2,258,235	(6,719,625)
<i>Total accumulated depreciation</i>	<u>(14,997,328)</u>	<u>(1,455,179)</u>	<u>2,540,355</u>	<u>(13,912,152)</u>
Total capital assets, being depreciated, net	<u>23,862,089</u>	<u>678,994</u>	<u>(1,549,209)</u>	<u>22,991,874</u>
Total capital assets, net	<u>\$24,877,079</u>	<u>\$ 1,236,741</u>	<u>\$ (2,053,411)</u>	<u>\$24,060,409</u>

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

Governmental Activities:

General government	\$ 75,596
Security of persons and property	204,988
Transportation	686,779
Leisure time activities	468,380
Economic development	19,436
Total depreciation expense	<u>\$ 1,455,179</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 10 - CAPITAL ASSETS – (Continued)

<u>Business-Type Activities</u>	Balance <u>12/31/06</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/07</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 898,891			\$ 898,891
Construction-in-progress	<u>533,374</u>	\$ 1,339,214	\$ (1,211,897)	<u>660,691</u>
<i>Total capital assets, not being depreciated</i>	<u>1,432,265</u>	<u>1,339,214</u>	<u>(1,211,897)</u>	<u>1,559,582</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,557,175	17,065		1,574,240
Buildings and improvements	36,868,935	2,529	(822,924)	36,048,540
Machinery and equipment	7,635,788	137,779	(139,295)	7,634,272
Infrastructure	<u>19,581,648</u>	<u>1,386,678</u>		<u>20,968,326</u>
<i>Total capital assets, being depreciated</i>	<u>65,643,546</u>	<u>1,544,051</u>	<u>(962,219)</u>	<u>66,225,378</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(136,407)	(43,676)		(180,083)
Buildings and improvements	(10,788,818)	(1,044,467)	661,271	(11,172,014)
Machinery and equipment	(3,965,529)	(414,821)	108,782	(4,271,568)
Infrastructure	<u>(5,165,366)</u>	<u>(405,929)</u>		<u>(5,571,295)</u>
<i>Total accumulated depreciation</i>	<u>(20,056,120)</u>	<u>(1,908,893)</u>	<u>770,053</u>	<u>(21,194,960)</u>
Total capital assets, being depreciated, net	<u>45,587,426</u>	<u>(364,842)</u>	<u>(192,166)</u>	<u>45,030,418</u>
Total capital assets, net	<u>\$ 47,019,691</u>	<u>\$ 974,372</u>	<u>\$ (1,404,063)</u>	<u>\$ 46,590,000</u>

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

<u>Business-Type Activities:</u>	<u>Depreciation Expense</u>
Water fund	\$ 1,365,072
Sewer fund	<u>543,821</u>
Total depreciation expense	<u>\$ 1,908,893</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS

A. The City's long-term obligations at December 31, 2007, were as follows:

<u>Governmental Activities</u>	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Amount</u>
	<u>12/31/06</u>			<u>12/31/07</u>	<u>Due Within</u>
					<u>One Year</u>
<u>General Obligation Bonds</u>					
Community Center	\$ 3,550,000		\$ (205,000)	\$ 3,345,000	\$ 215,000
<u>Pension Liability</u>					
Police and Fire Pension	805,439		(14,982)	790,457	15,626
<u>Other Long-Term Obligations</u>					
Compensated Absences	<u>774,588</u>	<u>\$ 91,449</u>	<u>(46,280)</u>	<u>819,757</u>	<u>85,145</u>
Total Long-Term Obligations	<u>\$ 5,130,027</u>	<u>\$ 91,449</u>	<u>\$ (266,262)</u>	<u>\$ 4,955,214</u>	<u>\$ 315,771</u>

General Obligation Bonds

The general obligation bonds were issued in 1999 and carry an interest rate of 3.25 - 4.85%. The general obligation bonds are a general obligation of the City, and the principal and interest payments are paid out of the debt service fund. The general obligation bonds were issued for the construction of a community center.

<u>Business-Type Activities:</u>	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Amounts</u>
	<u>12/31/06</u>			<u>12/31/07</u>	<u>Due Within</u>
					<u>One Year</u>
<u>General Obligation Bonds</u>					
Water - series 2003	\$ 5,160,000		\$ (210,000)	\$ 4,950,000	\$ 215,000
Water - series 2003	2,270,000		(95,000)	2,175,000	100,000
Water - series 2003	2,125,000		(85,000)	2,040,000	90,000
Sewer - series 2003	<u>415,000</u>		<u>(415,000)</u>		
Total	<u>9,970,000</u>		<u>(805,000)</u>	<u>9,165,000</u>	<u>405,000</u>
<u>OPWC Loans</u>					
Sewer - series 2001	154,988		(10,333)	144,655	10,332
Sewer - series 2004	<u>164,502</u>		<u>(8,892)</u>	<u>155,610</u>	<u>8,892</u>
Total	<u>319,490</u>		<u>(19,225)</u>	<u>300,265</u>	<u>19,224</u>
<u>Other Long-Term Obligations</u>					
Compensated Absences	<u>411,443</u>	<u>\$ 31,787</u>	<u>(42,201)</u>	<u>401,029</u>	<u>48,234</u>
Total Long-Term Obligations	<u>\$ 10,700,933</u>	<u>\$ 31,787</u>	<u>\$ (866,426)</u>	<u>\$ 9,866,294</u>	<u>\$ 472,458</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

General Obligation Bonds: Water - Series 2003

The general obligation bonds were originally issued in 1994 for \$6,130,000, were reissued in 2003 for \$5,710,000, and carry an interest rate of 2.00 - 5.00 percent. The general obligation bonds are a general obligation of the City, and the principal and interest payments are paid out of the water fund. The general obligation bonds were issued for improvements to the water plant and facilities. A portion of the proceeds of the bonds were used for the advance refunding of the 1994 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, 2007, is \$4,605,000, but is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

The refunding was undertaken to reduce the total debt service payments by \$545,365, and resulted in an economic gain of \$459,156.

General Obligation Bonds: Water - Series 2003

The general obligation bonds were issued in 2003 for \$2,530,000, and carry an interest rate of 2.00 - 5.00 percent. The general obligation bonds are a general obligation of the City, and the principal and interest payments are paid from the water fund. The general obligation bonds were issued for improvements to the water plant and facilities.

General Obligation Bonds: Water - Series 2003

The general obligation bonds were originally issued in 1993 for \$2,745,000, were reissued in 2003 for \$2,350,000, and carry an interest rate of 2.00 - 5.00 percent. The general obligation bonds are a general obligation of the City, and the principal and interest payments are paid from the water fund. The general obligation bonds were issued for improvements to the water plant and facilities. A portion of the proceeds of the bonds were used for the advance refunding of the 1994 mortgage revenue 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, 2007, is \$2,065,000, but is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

The refunding was undertaken to reduce the total debt service payments by \$584,960, and resulted in an economic gain of \$428,816.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

General Obligation Bonds: Sewer - Series 2003

The general obligation bonds were originally issued in 1993 for \$4,305,000, were reissued in 2003 for \$1,615,000, and carry an interest rate of 2.00 - 2.25%. The general obligation bonds are a general obligation of the City, and the principal and interest payments are paid from the sewer fund. The general obligation bonds were issued for improvements to the sewer plant and facilities. A portion of the proceeds of the bonds were used for the advance refunding of the 1993 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, 2007, is \$0 and is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

The refunding was undertaken to reduce the total debt service payments by \$423,999, and resulted in an economic gain of \$416,989.

OPWC Loans

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

- B.** Principal and interest requirements to retire the general obligation bonds, the OPWC loans, and the police and fire pension liability as of December 31, 2007, are as follows:

Year	General Obligation Bonds - Community Center			Pension Liability - Police and Fire Pension		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 215,000	\$ 158,790	\$ 373,790	\$ 15,626	\$ 33,430	\$ 49,056
2009	225,000	148,363	373,363	16,297	32,759	49,056
2010	235,000	138,687	373,687	16,997	32,059	49,056
2011	245,000	127,995	372,995	17,727	31,329	49,056
2012	255,000	116,848	371,848	18,489	30,567	49,056
2013 - 2017	1,475,000	390,424	1,865,424	105,060	140,220	245,280
2018 - 2022	695,000	50,925	745,925	129,646	115,634	245,280
2023 - 2027				159,984	85,296	245,280
2028 - 2032				197,421	47,859	245,280
2033 - 2035				113,210	7,227	120,437
Total	\$ 3,345,000	\$ 1,132,032	\$ 4,477,032	\$ 790,457	\$ 556,380	\$ 1,346,837

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

Year	General Obligation Bonds - Water - Series 2003			General Obligation Bonds - Water - Series 2003		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 215,000	\$ 213,234	\$ 428,234	\$ 100,000	\$ 92,431	\$ 192,431
2009	220,000	206,784	426,784	105,000	89,431	194,431
2010	225,000	199,634	424,634	105,000	86,019	191,019
2011	230,000	191,759	421,759	110,000	82,344	192,344
2012	240,000	182,846	422,846	115,000	78,081	193,081
2013 - 2017	1,355,000	761,540	2,116,540	650,000	317,073	967,073
2018 - 2022	1,675,000	445,964	2,120,964	805,000	165,584	970,584
2023 - 2024	<u>790,000</u>	<u>59,750</u>	<u>849,750</u>	<u>185,000</u>	<u>9,251</u>	<u>194,251</u>
Total	<u>\$ 4,950,000</u>	<u>\$ 2,261,511</u>	<u>\$ 7,211,511</u>	<u>\$ 2,175,000</u>	<u>\$ 920,214</u>	<u>\$ 3,095,214</u>

Year	General Obligation Bonds - Water - Series 2003		
	Principal	Interest	Total
2008	\$ 90,000	\$ 87,868	\$ 177,868
2009	90,000	85,168	175,168
2010	90,000	82,242	172,242
2011	95,000	79,093	174,093
2012	100,000	75,411	175,411
2013 - 2017	560,000	313,373	873,373
2018 - 2022	690,000	183,324	873,324
2023 - 2024	<u>325,000</u>	<u>24,500</u>	<u>349,500</u>
Total	<u>\$ 2,040,000</u>	<u>\$ 930,979</u>	<u>\$ 2,970,979</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)

Year	OPWC Loans - Sewer - Series 2001			OPWC Loans - Sewer - Series 2004		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 10,332	\$	\$ 10,332	\$ 8,892	\$	\$ 8,892
2009	10,333		10,333	8,892		8,892
2010	10,332		10,332	8,892		8,892
2011	10,333		10,333	8,892		8,892
2012	10,332		10,332	8,892		8,892
2013 - 2017	51,663		51,663	44,460		44,460
2018 - 2022	41,330		41,330	44,460		44,460
2023 - 2025				22,230		22,230
Total	<u>\$ 144,655</u>	<u>\$</u>	<u>\$ 144,655</u>	<u>\$ 155,610</u>	<u>\$</u>	<u>\$ 155,610</u>

C. 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 percent 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 percent of the total taxation value of property. 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, 2007, the City's total debt margin was \$27,523,445, and the unvoted debt margin was \$12,927,957.

NOTE 12 - 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 and firefighters are paid for 33.33 and 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, 2007, the governmental activities liability for compensated absences was \$819,757, the business-type activities liability for compensated absences was \$401,029, and the City's total liability for compensated absences was \$1,220,786.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Risk Pool Membership

The City belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated, non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

	<u>2007</u>	<u>2006</u>
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	<u>4,273,553</u>	<u>3,329,620</u>
Members' Equity	<u>\$ 6,862,902</u>	<u>\$ 6,290,528</u>

The complete audited financial statements for The Ohio Government Risk Management Plan are available on the Plan's website, www.ohioplan.org.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 14 - PENSION PLANS

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2007, members in state and local classifications contributed 9.5% of covered payroll, public safety members contributed 9.75%, and law enforcement members contributed 10.1%. The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005, were \$730,729, \$709,009, and \$625,048, respectively; 100 percent has been contributed for 2007, 2006, and 2005.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. 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 for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 14 - PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. The City's pension contributions to OP&F for police and firefighters were \$359,173 and \$316,958 for the year ended December 31, 2007, \$343,822 and \$326,322 for the year ended December 31, 2006, and \$333,116 and \$295,301 for the year ended December 31, 2005. 74.22 percent has been contributed for police and 76.34 percent has been contributed for firefighters for 2007. The full amount has been contributed for 2006 and 2005.

NOTE 15 - POSTEMPLOYMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care 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 2007, local government employers contributed 13.85 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFIT PLANS – (Continued)

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's 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 health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005, were \$290,181, \$232,886, and \$184,516 respectively; 100 percent has been contributed for 2007, 2006, and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-retirement healthcare coverage for 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 Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is 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 for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy - OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. 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 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFIT PLANS – (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare 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. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$124,329 and \$89,144 for the year ended December 31, 2007, \$136,647 and \$105,375 for the year ended December 31, 2006, and \$132,247 and \$95,382 for the year ended December 31, 2005. 74.22 percent has been contributed for police and 76.34 percent has been contributed for firefighters for 2007. The full amount has been contributed for 2006 and 2005.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While the City is 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, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

Net Change in Fund Balance

	<u>General</u>	<u>Municipal Income Tax</u>
Budget basis	\$ 166,908	\$ (97,577)
Net adjustment for revenue accruals	(15,371)	(143)
Net adjustment for expenditure accruals	(58,055)	(530)
Adjustment for encumbrances	<u>88,058</u>	<u>3,021</u>
GAAP basis	<u>\$ 181,540</u>	<u>\$ (95,229)</u>

NOTE 17 - 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, 2007.

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.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Fremont
Sandusky County
323 South Front Street
Fremont, Ohio 43420-3037

To the City Council:

We have audited 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, (the City) as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 25, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated November 25, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance matters that we reported to the City's management in a separate letter dated November 25, 2008.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management and City Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 25, 2008

**CITY OF FREMONT
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

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

FINDING NUMBER 2007-001

Material Weakness

Financial Reporting

The review of the financial statements resulted in 5 significant audit adjustments to 3 funds ranging in amounts from \$7,259 to \$1,112,756. These adjustments were necessary due to errors made by the IPA including amounts reported on the trial balance for capital contributions did not agree to the compilation report; police and fire pension liability did not agree to the amortization schedules; and misclassification of fund balances for the debt service fund.

Sound financial reporting is the responsibility of the City Auditor, Treasurer, and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the City's financial statements and notes to the statements are complete and accurate, the City should adopt policies and procedures, including a final review of the IPA compilation report by the City Auditor, to identify and correct errors and omissions. We recommend the City Auditor meet with the IPA prior to the 2008 GAAP conversion to assure the prior audit adjustments have been addressed.

Officials' Response

The City Auditor stated "the City of Fremont contracts with an IPA for GAAP conversions. We as the City of Fremont will consult with the IPA to assure all prior audit adjustments will be addressed in the 2008 conversion. We will also review all statements for accuracy upon completion."

**CITY OF FREMONT
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Weakness in financial reporting.	No	Not corrected. Repeated as finding 2007-001 in this report.



Mary Taylor, CPA
Auditor of State

CITY OF FREMONT
SANDUSKY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 11, 2008