

City of Fremont
Sandusky County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2015



Dave Yost • Auditor of State

Members of Council
City of Fremont
323 South Front Street
Fremont, Ohio 43420

We have reviewed the Independent Auditor's Report of the City of Fremont, Sandusky County, prepared by Rea & Associates, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Fremont is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 18, 2016

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CITY OF FREMONT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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June 28, 2016

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fremont, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fremont, Sandusky County, Ohio, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 3, the City restated the net position balances to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability, and the schedules of City contributions on pages 3-19, 78-79, and 80-83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Lima, Ohio

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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, 2015. 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 2015 are as follows:

- The total net position of the City increased \$4,853,813 or 5.16% from 2014 as restated in Note 3.A. Net position of governmental activities decreased \$240,087 or 1.08% from 2014 and net position of business-type activities increased \$5,093,900 or 7.09% over 2014.
- General revenues accounted for \$11,152,032 or 78.10% of total governmental activities revenue. Program specific revenues accounted for \$3,127,457 or 21.90% of total governmental activities revenue.
- The City had \$14,142,712 in expenses related to governmental activities; \$3,127,457 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$11,015,255 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$11,152,032.
- The general fund had revenues of \$11,341,784 in 2015. This represents an increase of \$194,218 or 1.74% from 2014. The expenditures and other financing uses of the general fund, which totaled \$10,741,397 in 2015, decreased \$1,119,553 or 9.44% from 2014. The net increase in fund balance for the general fund was \$600,387 or 11.04%.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2015 by \$5,093,900. This increase in net position was due primarily to charges for services and capital contributions from the governmental activities exceeding expenses.
- In the general fund, actual revenues and other financing sources were \$166,040 less than the final budget revenues and other financing sources, and actual expenditures and other financing uses were \$591,269 less than the final budget expenditures and other financing uses. These variances are the result of the City's conservative budgeting. Budgeted expenditures and other financing uses increased \$185,708 from the original budget to the final budget, primarily due to an increase in security of persons and property expenditures.

Using this Annual Financial Report

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

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

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

**CITY OF FREMONT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The basic fund financial statements can be found on pages 23-27 of this report.

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

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

Proprietary Funds

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 33-77 of this report.

Required Supplementary Information

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

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
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Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2015 and December 31, 2014.

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<u>Assets</u>						
Current assets	\$ 15,321,609	\$ 14,262,380	\$ 28,680,386	\$ 24,382,441	\$ 44,001,995	\$ 38,644,821
Capital assets, net	20,513,589	21,701,944	135,915,149	107,621,967	156,428,738	129,323,911
Total assets	<u>35,835,198</u>	<u>35,964,324</u>	<u>164,595,535</u>	<u>132,004,408</u>	<u>200,430,733</u>	<u>167,968,732</u>
<u>Deferred outflows of resources</u>						
Unamortized deferred charges	49,084	62,470	-	-	49,084	62,470
Pension	1,548,615	1,072,064	486,235	351,738	2,034,850	1,423,802
Total deferred outflows of resources	<u>1,597,699</u>	<u>1,134,534</u>	<u>486,235</u>	<u>351,738</u>	<u>2,083,934</u>	<u>1,486,272</u>
<u>Liabilities</u>						
Current liabilities	988,457	629,056	3,596,247	6,257,454	4,584,704	6,886,510
Long-term liabilities:						
Due within one year	463,914	420,740	1,896,902	1,921,421	2,360,816	2,342,161
Net pension liability	10,923,796	10,362,281	2,632,198	2,572,745	13,555,994	12,935,026
Other amounts	2,193,627	2,616,392	80,011,137	49,800,790	82,204,764	52,417,182
Total liabilities	<u>14,569,794</u>	<u>14,028,469</u>	<u>88,136,484</u>	<u>60,552,410</u>	<u>102,706,278</u>	<u>74,580,879</u>
<u>Deferred inflows of resources</u>						
Property taxes	775,870	787,940	-	-	775,870	787,940
Pension	44,871	-	47,650	-	92,521	-
Total deferred inflows of resources	<u>820,741</u>	<u>787,940</u>	<u>47,650</u>	<u>-</u>	<u>868,391</u>	<u>787,940</u>
<u>Net Position</u>						
Net investment in capital assets	19,224,235	20,111,857	51,192,715	50,441,063	70,416,950	70,552,920
Restricted	2,854,870	3,081,122	-	-	2,854,870	3,081,122
Unrestricted (deficit)	(36,743)	(910,530)	25,704,921	21,362,673	25,668,178	20,452,143
Total net position	<u>\$ 22,042,362</u>	<u>\$ 22,282,449</u>	<u>\$ 76,897,636</u>	<u>\$ 71,803,736</u>	<u>\$ 98,939,998</u>	<u>\$ 94,086,185</u>

During 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**CITY OF FREMONT
SANDUSKY COUNTY**

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

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

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, for governmental activities from \$31,571,482 to \$22,282,449 and business-type activities from \$74,023,486 to \$71,803,736.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2015, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$98,939,998. At year-end, net positions were \$22,042,362 and \$76,897,636 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 78.05% of total assets. Capital assets include land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. The net investments in capital assets at December 31, 2015, were \$19,224,235 and \$51,192,715 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.

A portion of the City's net position, \$2,854,870 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of \$36,743.

Assets of the business-type activities increased \$32,591,127 or 24.69% from 2014. Current assets of the business-type activities increased \$4,297,945 or 17.63% primarily due to an increase in equity and pooled cash and investments in the sewer fund. This increase is primarily the result of increased sewer charges for services exceeding other operating activity expenses. The capital assets of the business-type activities increased \$28,293,182 or 26.29%. This increase is the result of construction in progress related to the sewer fund's Ohio Environmental Protection Agency (OEPA) long term plan for the City.

Liabilities of the business-type activities increased \$27,584,074 or 45.55% from 2014. Current liabilities of the business-type activities decreased \$2,611,207 or 42.53% due to a decrease in contracts payable related to the City's sewer fund's ongoing projects. Long-term obligations of the business-type activities increased \$30,245,281 or 55.71%. This large increase is primarily attributable to the City entering into Ohio Water Development Authority (OWDA) loans to pay for the City's sewer projects.

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**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

The table below shows the changes in net position for fiscal years 2015 and 2014.

	Change in Net Position					
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	2015 Total	2014 Total
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,014,176	\$ 998,571	\$ 15,672,402	\$ 13,798,535	\$ 16,686,578	\$ 14,797,106
Operating grants and contributions	1,912,608	1,828,648	-	-	1,912,608	1,828,648
Capital grants and contributions	<u>200,673</u>	<u>338,348</u>	<u>584,151</u>	<u>488,562</u>	<u>784,824</u>	<u>826,910</u>
Total program revenues	<u>3,127,457</u>	<u>3,165,567</u>	<u>16,256,553</u>	<u>14,287,097</u>	<u>19,384,010</u>	<u>17,452,664</u>
General revenues:						
Property taxes	816,978	885,172	-	-	816,978	885,172
Income taxes	9,099,321	8,656,373	-	-	9,099,321	8,656,373
Hotel/motel taxes	63,646	64,795	-	-	63,646	64,795
Unrestricted grants and entitlements	617,236	571,842	-	-	617,236	571,842
Investment earnings	245,443	66,835	3,332	-	248,775	66,835
Miscellaneous	<u>309,408</u>	<u>438,342</u>	<u>21,144</u>	<u>55,558</u>	<u>330,552</u>	<u>493,900</u>
Total general revenues	<u>11,152,032</u>	<u>10,683,359</u>	<u>24,476</u>	<u>55,558</u>	<u>11,176,508</u>	<u>10,738,917</u>
Total revenues	<u>14,279,489</u>	<u>13,848,926</u>	<u>16,281,029</u>	<u>14,342,655</u>	<u>30,560,518</u>	<u>28,191,581</u>
Expenses:						
General government	3,039,324	2,929,733	-	-	3,039,324	2,929,733
Security of persons and property	6,520,896	6,205,217	-	-	6,520,896	6,205,217
Public health and welfare	20,925	10,446	-	-	20,925	10,446
Transportation	1,818,726	1,605,287	-	-	1,818,726	1,605,287
Community environment	421,302	258,737	-	-	421,302	258,737
Leisure time activity	2,109,275	2,163,125	-	-	2,109,275	2,163,125
Economic development	143,678	157,668	-	-	143,678	157,668
Interest and fiscal charges	68,586	77,205	-	-	68,586	77,205
Water	-	-	6,736,576	6,869,929	6,736,576	6,869,929
Sewer	-	-	<u>4,827,417</u>	<u>4,495,780</u>	<u>4,827,417</u>	<u>4,495,780</u>
Total expenses	<u>14,142,712</u>	<u>13,407,418</u>	<u>11,563,993</u>	<u>11,365,709</u>	<u>25,706,705</u>	<u>24,773,127</u>
Increase (decrease) in net position before transfers and special item	136,777	441,508	4,717,036	2,976,946	4,853,813	3,418,454
Transfers	(376,864)	(883,310)	376,864	883,310	-	-
Change in net position	(240,087)	(441,802)	5,093,900	3,860,256	4,853,813	3,418,454
Net position at beginning of year (restated)	<u>22,282,449</u>	N/A	<u>71,803,736</u>	N/A	<u>94,086,185</u>	N/A
Net position at end of year	<u>\$ 22,042,362</u>	<u>\$ 22,282,449</u>	<u>\$ 76,897,636</u>	<u>\$ 71,803,736</u>	<u>\$ 98,939,998</u>	<u>\$ 94,086,185</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,423,802 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,412,896. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2015 program expenses under GASB 68	\$ 14,142,712	\$ 11,563,993
Pension expense under GASB 68	(1,115,528)	(297,368)
2015 contractually required contributions	988,851	328,118
Adjusted 2015 program expenses	14,016,035	11,594,743
Total 2014 program expenses under GASB 27	13,407,418	11,365,709
Increase in program expenses not related to pension	\$ 608,617	\$ 229,034

Governmental activities net position decreased \$240,087 in 2015. This decrease is a result of transfers to the business-type activities.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$6,520,896 of the total expenses of the City. These expenses were partially funded by \$66,937 in direct charges to users of the services. General government expenses totaled \$3,039,324. General government expenses were partially funded by \$481,168 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$1,912,608 in operating grants and contributions and \$200,673 in capital grants and contributions. These revenues are restricted to a particular program or purpose. The total capital grants and contributions subsidized transportation programs. Of the total operating grants and contributions, \$805,075 subsidized transportation programs, and \$731,713 subsidized general government activities.

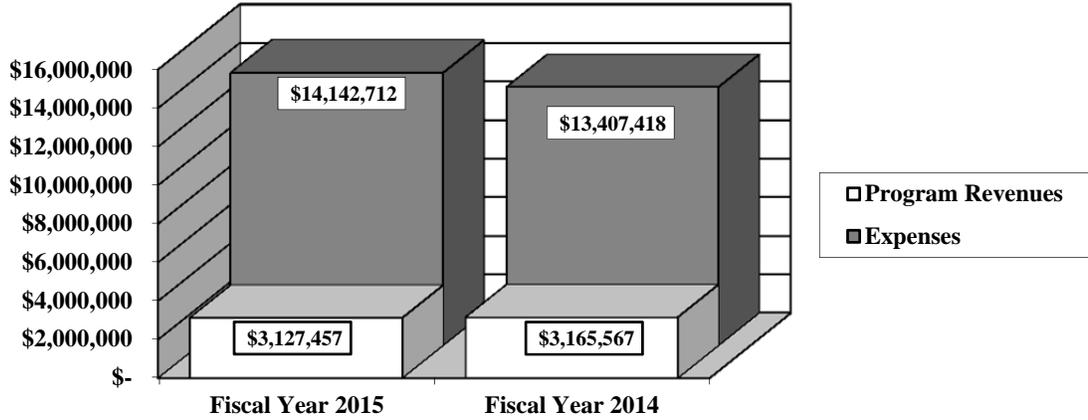
General revenues totaled \$11,152,032, and amounted to 78.10% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$9,916,299. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue making up \$617,236.

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.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Governmental Activities – Program Revenues vs. Total Expense



Governmental Activities

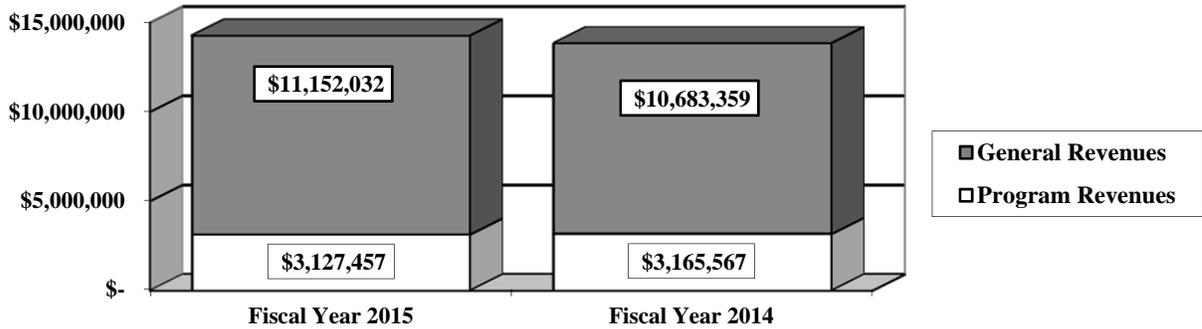
	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Program Expenses:				
General government	\$ 3,039,324	\$ 1,826,443	\$ 2,929,733	\$ 1,854,443
Security of persons and property	6,520,896	6,362,223	6,205,217	6,038,425
Public health and welfare	20,925	20,925	10,446	10,446
Transportation	1,818,726	811,978	1,605,287	641,654
Community environment	421,302	128,060	258,737	(264,011)
Leisure time activity	2,109,275	1,660,455	2,163,125	1,733,577
Economic development	143,678	136,585	157,668	150,112
Interest and fiscal charges	68,586	68,586	77,205	77,205
Total	\$ 14,142,712	\$ 11,015,255	\$ 13,407,418	\$ 10,241,851

The dependence upon general revenues for governmental activities is apparent, with 77.89% of expenses supported through taxes and other general revenues.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Governmental Activities – General and Program Revenues

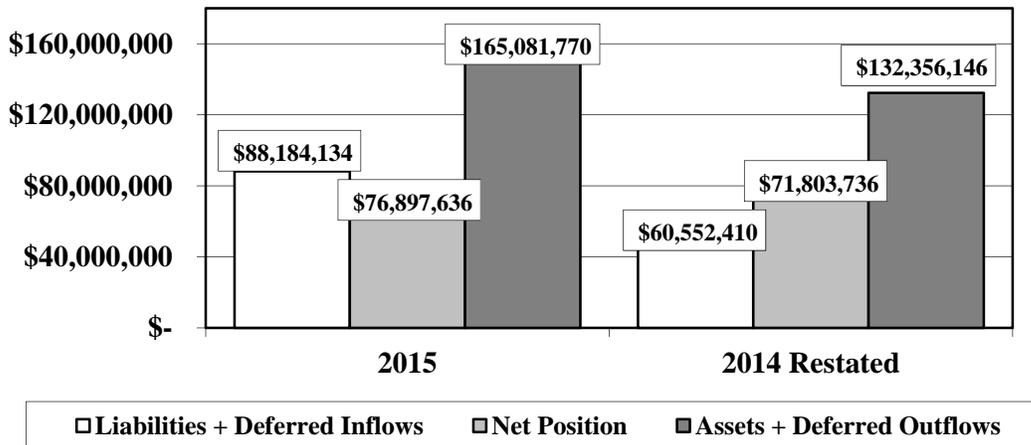


Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$16,256,553, general revenues of \$24,476, transfers in of \$376,864 and expenses of \$11,563,993 for 2015.

The graph below illustrates the City's business-type assets, liabilities, and net position at December 31, 2015 and December 31, 2014.

Net Position in Business – Type Activities



**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$11,323,265 which is \$524,173 more than last year's total of \$10,799,092. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2015 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> <u>12/31/15</u>	<u>Fund Balances</u> <u>12/31/14</u>	<u>Increase</u> <u>(Decrease)</u>
Major funds:			
General	\$ 6,039,699	\$ 5,439,312	\$ 600,387
Other nonmajor governmental funds	<u>5,283,566</u>	<u>5,359,780</u>	<u>(76,214)</u>
Total	<u>\$ 11,323,265</u>	<u>\$ 10,799,092</u>	<u>\$ 524,173</u>

General Fund

The City's general fund balance increased \$600,387. The table that follows assists in illustrating the revenues of the general fund.

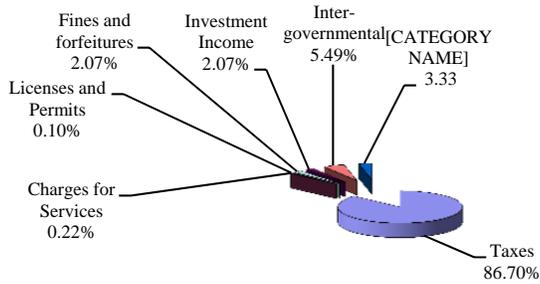
	<u>2015</u> <u>Amount</u>	<u>2014</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 9,833,882	\$ 9,655,620	1.85 %
Charges for services	25,357	25,025	1.33 %
Licenses and permits	11,600	27,456	(57.75) %
Fines and forfeitures	235,186	235,017	0.07 %
Intergovernmental	622,956	586,384	6.24 %
Investment income	234,897	62,477	275.97 %
Other	<u>377,906</u>	<u>555,587</u>	(31.98) %
Total	<u>\$ 11,341,784</u>	<u>\$ 11,147,566</u>	1.74 %

Tax revenue represents 86.70% of all general fund revenue. Income tax revenue increased in 2015 due to lower unemployment and an improving economy. Intergovernmental revenues increased 6.24% due to an increase in local government revenue in 2015. Investment income increased due to an increase in investments. Other revenue decreased 31.98% due to a decrease in contributions and donations. All other revenue remained comparable to 2014.

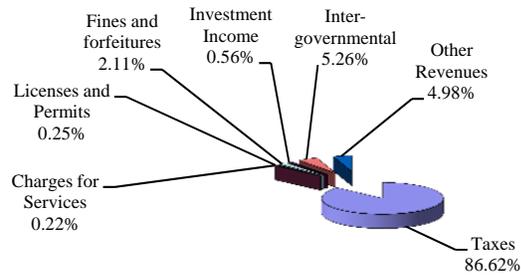
**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Revenues – Fiscal Year 2015



Revenues – Fiscal Year 2014



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

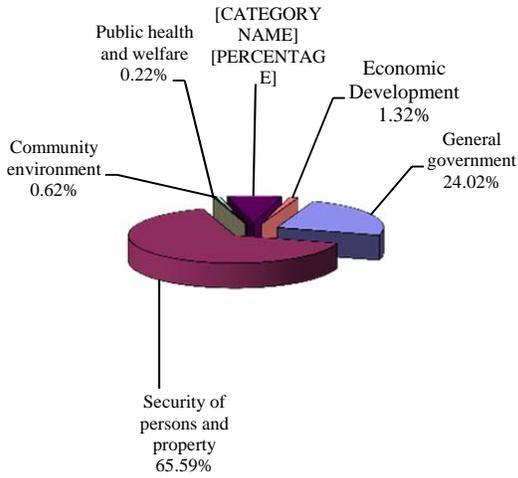
	2015 <u>Amount</u>	2014 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,239,357	\$ 2,163,214	3.52 %
Security of persons and property	6,115,804	5,939,536	2.97 %
Public health and welfare	20,925	10,446	100.32 %
Community environment	58,118	45,628	27.37 %
Leisure time activity	767,348	998,286	(23.13) %
Economic development	<u>123,097</u>	<u>134,115</u>	(8.22) %
Total	<u>\$ 9,324,649</u>	<u>\$ 9,291,225</u>	0.36 %

The most significant increase in dollars in general fund expenditures was in security of persons and property. This line item increased \$176,268 in 2015. This was primarily due to the fact that the City has closed the police and fire pension special revenue funds. Therefore, the current pension expenses for the police and fire departments are now paid from the general fund. Leisure-time activities expenditures decreased \$230,938 in 2015. This is primarily due to a decrease in contract expenditures in 2015.

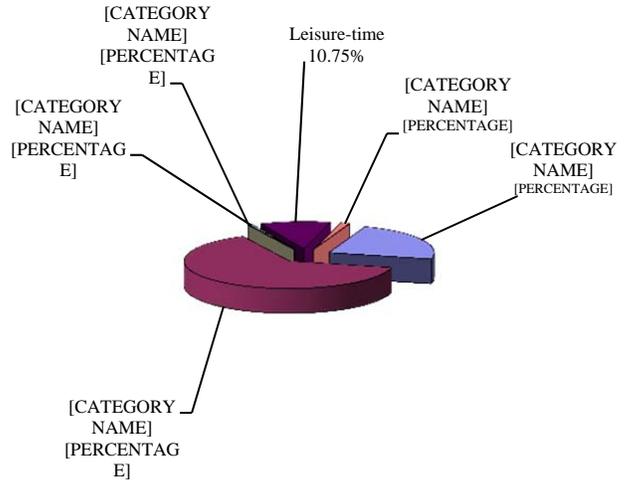
**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Expenditures - 2015



Expenditures - 2014



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.

Budgetary information is presented for the general fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures and other financing uses, which increased \$185,708 from \$9,492,137 to \$9,677,845. Actual revenues and other financing sources of \$9,084,014 were less than final budgeted revenues and other financing sources by \$166,040. 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 \$591,269 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.

The City's business-type funds (as presented on the statement of net position on page 28) reported a combined net position of \$76,897,636, which is \$5,093,900 more than last year's restated total of \$71,803,736.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

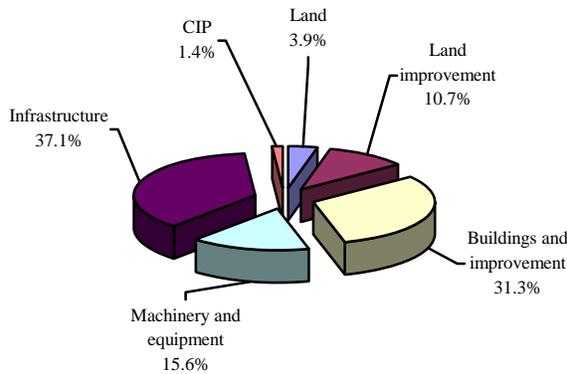
At the end of 2015, the City had \$156,428,738 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress (CIP). Of this total, \$20,513,589 was reported in governmental activities and \$135,915,149 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2015 balances compared to 2014:

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

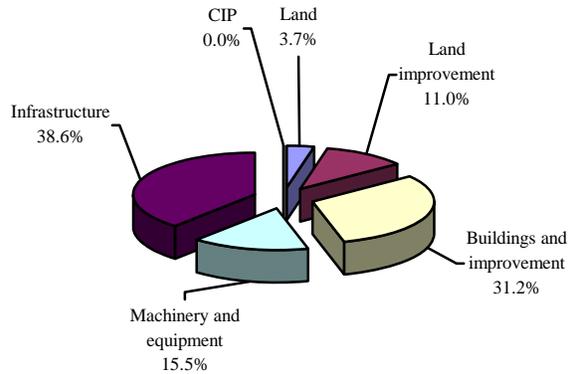
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 809,559	\$ 809,559	\$ 903,988	\$ 903,988	\$ 1,713,547	\$ 1,713,547
Land improvements	2,192,880	2,384,950	36,491,189	37,288,203	38,684,069	39,673,153
Buildings and improvements	6,421,995	6,772,724	20,739,223	21,846,378	27,161,218	28,619,102
Machinery and equipment	3,207,762	3,361,300	1,597,772	1,657,641	4,805,534	5,018,941
Infrastructure	7,600,550	8,372,111	17,795,396	17,543,415	25,395,946	25,915,526
Construction in progress	280,843	1,300	58,387,581	28,382,342	58,668,424	28,383,642
Totals	<u>\$ 20,513,589</u>	<u>\$ 21,701,944</u>	<u>\$ 135,915,149</u>	<u>\$ 107,621,967</u>	<u>\$ 156,428,738</u>	<u>\$ 129,323,911</u>

The following graphs show the breakdown of governmental capital assets by category for 2015 and 2014.

Capital Assets - Governmental Activities 2015



Capital Assets - Governmental Activities 2014



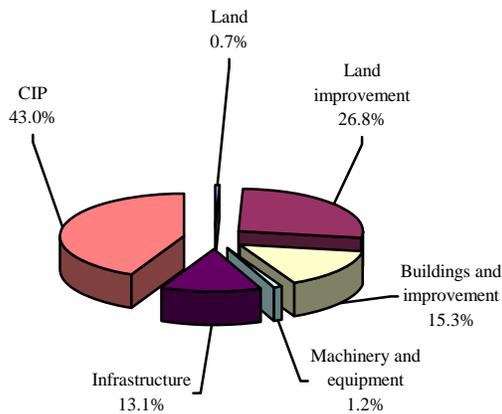
The City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 37.1% of the City's total governmental capital assets.

**CITY OF FREMONT
SANDUSKY COUNTY**

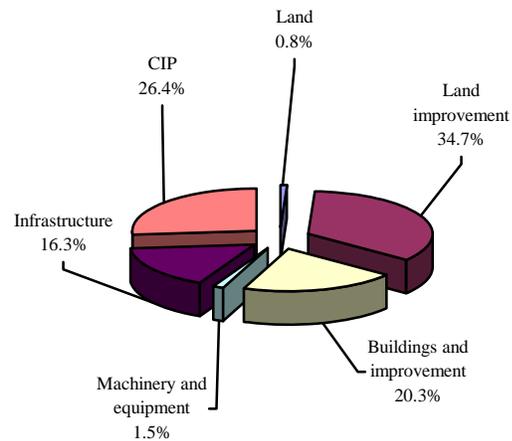
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

The following graphs show the breakdown of business-type capital assets by category for 2015 and 2014.

Capital Assets - Business-Type Activities 2015



Capital Assets - Business-Type Activities 2014



Debt Administration

See Note 12 for further discussion of the City's long-term debt obligations. The City had the following long-term debt obligations outstanding at December 31, 2015 and 2014:

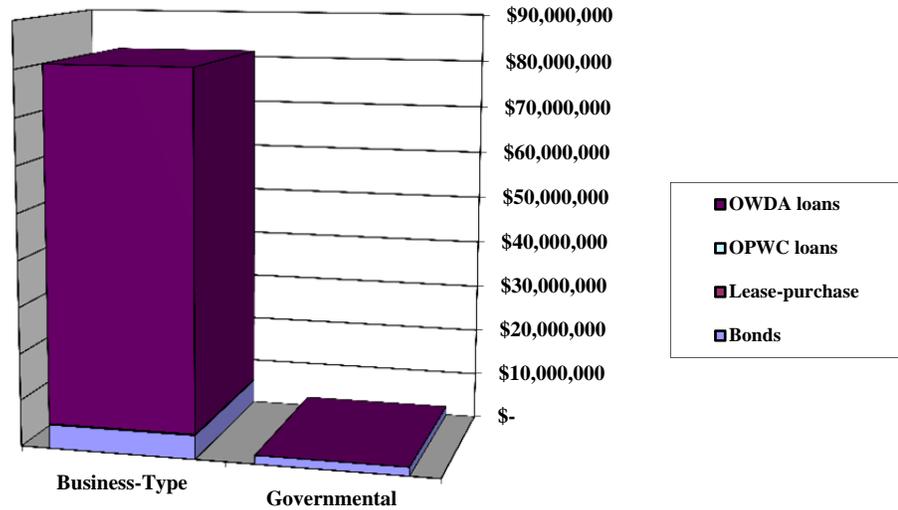
	Governmental Activities	
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 1,885,000	\$ 2,250,000
Total long-term obligations	<u>\$ 1,885,000</u>	<u>\$ 2,250,000</u>
	Business-type Activities	
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 5,130,000	\$ 5,725,000
Lease-purchase agreement	89,217	109,900
OPWC loans	146,470	165,694
OWDA loans	<u>75,869,854</u>	<u>45,008,636</u>
Total long-term obligations	<u>\$ 81,235,541</u>	<u>\$ 51,009,230</u>

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

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED

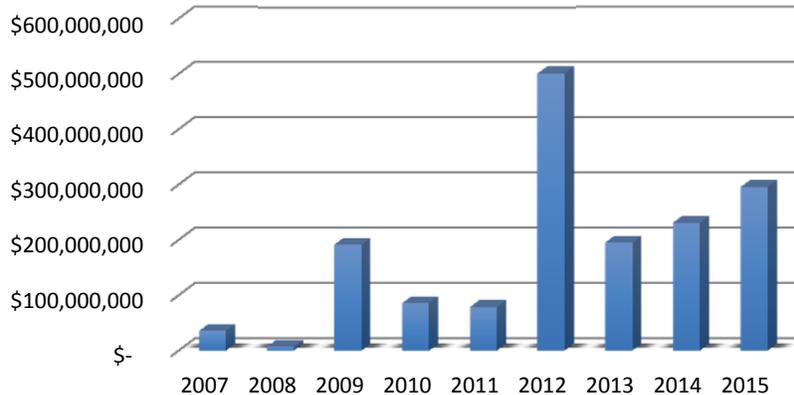
Long-term obligations



Economic Conditions and Outlook

Fremont-Sandusky County continues to experience increased growth that mirrors Northwest Ohio's growth with over \$951 million in announced projects in 2015. Fremont manufacturers: Alkon Corporation; Bemis Corporation; Century Die Inc.; Kraft-Heinz; Motion Controls Robotics Inc.; Rexam Beverage Can; The Plastics Group; and Unique Fabrication Inc., all announced and completed expansion projects. Over the last 4 years, data supports slow but constant growth in our local manufacturing communities. The service industry remains strong with a new hotel, Holiday Inn Express, which recently opened along with the new ProMedica Cancer Care Center.

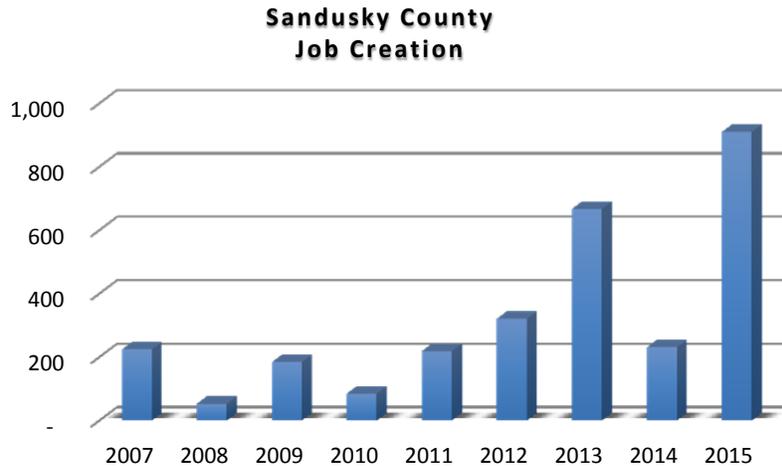
**Sandusky County
Announced Projects
Capital Investments**



**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
UNAUDITED**

Fremont-Sandusky County job creation and retention continues to be a challenge. In 2015, over 951 new jobs were created along with 3,627 jobs retained in connection with our 2016 announced projects. As the aging workforce is beginning to retire, our local business community has a challenge to find the adequate skilled workforce to replace the Baby Boomers. Our local business community, high school career centers and the community college have developed non-traditional customized training programs that address the skill sets needed to fill job openings today and into the future.



BIG Fremont

On June 20, 2014 the City unveiled the BIG Fremont Community Vision, an 18-month effort to gather the thoughts and opinions of area residents on what they envision for the Fremont economy for years to come. Without doubt, strong support was shown for helping existing businesses to thrive, enhancing support of local entrepreneurs, marketing the City beyond the immediate region, and revitalizing Historic Downtown Fremont.

A sign of more-good-things-to-come in Downtown Fremont took on the color of bright yellow in 2015, as work began on the revitalization of the old Woolworths building at the corner of S. Front and Croghan Streets. Discover Fremont, Inc. purchased the building and immediately began work to remodel office space, build new retail space, and construct apartments on the building's second floor.

To highlight recent progress in the heart of the City, Downtown Fremont, Inc. invited 100 people to dine at an elegantly-set table down the middle of Front Street. Local chefs provided a culinary experience picked from local farms, gardens and livestock. Held once in the summer, and again in the fall, the Farm-To-Table event is planned as a regular feature for highlighting opportunities in the downtown area.

Contacting the City's Financial Management

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

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 10,624,105	\$ 25,899,062	\$ 36,523,167
Receivables (net of allowances for uncollectibles):			
Income taxes	2,751,393	-	2,751,393
Property and other local taxes	851,222	-	851,222
Accounts	16,828	2,304,824	2,321,652
Loans	302,793	-	302,793
Accrued interest	51,020	-	51,020
Due from other governments	607,829	39,739	647,568
Materials and supplies inventory	112,492	344,002	456,494
Internal balance	(417)	417	-
Net pension asset	4,344	4,612	8,956
Restricted assets:			
Equity in pooled cash and investments	-	87,730	87,730
Capital assets:			
Land and construction in progress	1,090,402	59,291,569	60,381,971
Depreciable capital assets, net	19,423,187	76,623,580	96,046,767
Total capital assets, net	<u>20,513,589</u>	<u>135,915,149</u>	<u>156,428,738</u>
Total assets	<u>35,835,198</u>	<u>164,595,535</u>	<u>200,430,733</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	49,084	-	49,084
Pension - OPERS	457,882	486,235	944,117
Pension - OP&F	1,090,733	-	1,090,733
Total deferred outflows of resources	<u>1,597,699</u>	<u>486,235</u>	<u>2,083,934</u>
Liabilities:			
Accounts payable	713,638	206,976	920,614
Contracts payable	-	3,184,064	3,184,064
Accrued wages and benefits	141,179	71,831	213,010
Due to other governments	1,418	1,746	3,164
Pension and postemployment benefits payable	103,718	38,188	141,906
Due to claimants	13,617	-	13,617
Accrued interest payable	14,887	5,712	20,599
Payable from restricted assets:			
Refundable deposits	-	87,730	87,730
Long-term liabilities:			
Due within one year	463,914	1,896,902	2,360,816
Due in more than one year:			
Net pension liability	10,923,796	2,632,198	13,555,994
Other amounts due in more than one year	<u>2,193,627</u>	<u>80,011,137</u>	<u>82,204,764</u>
Total liabilities	<u>14,569,794</u>	<u>88,136,484</u>	<u>102,706,278</u>
Deferred inflows of resources:			
Property taxes levied for the next year	775,870	-	775,870
Pension - OPERS	44,871	47,650	92,521
Total deferred inflows of resources	<u>820,741</u>	<u>47,650</u>	<u>868,391</u>
Net position:			
Net investment in capital assets.	19,224,235	51,192,715	70,416,950
Restricted for:			
Debt service	651,031	-	651,031
Transportation projects	259,688	-	259,688
Court projects	417,826	-	417,826
Revolving loans	376,226	-	376,226
R.L. Walsh Trust	725,315	-	725,315
Other purposes.	424,784	-	424,784
Unrestricted (deficit)	<u>(36,743)</u>	<u>25,704,921</u>	<u>25,668,178</u>
Total net position	<u>\$ 22,042,362</u>	<u>\$ 76,897,636</u>	<u>\$ 98,939,998</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 3,039,324	\$ 481,168	\$ 731,713	\$ -
Security of persons and property	6,520,896	66,937	91,736	-
Public health and welfare	20,925	-	-	-
Transportation	1,818,726	1,000	805,075	200,673
Community environment	421,302	18,763	274,479	-
Leisure time activity	2,109,275	446,308	2,512	-
Economic development	143,678	-	7,093	-
Interest and fiscal charges	68,586	-	-	-
Total governmental activities	<u>14,142,712</u>	<u>1,014,176</u>	<u>1,912,608</u>	<u>200,673</u>
Business-type activities:				
Water	6,736,576	7,355,910	-	99,151
Sewer	4,827,417	8,316,492	-	485,000
Total business-type activities	<u>11,563,993</u>	<u>15,672,402</u>	<u>-</u>	<u>584,151</u>
Total primary government	<u>\$ 25,706,705</u>	<u>\$ 16,686,578</u>	<u>\$ 1,912,608</u>	<u>\$ 784,824</u>

General revenues:

Income taxes levied for:

General purposes

Property taxes levied for:

General purposes

Hotel/motel taxes

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Change in net position

Net position at beginning of year (restated)

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,826,443)	\$ -	\$ (1,826,443)
(6,362,223)	-	(6,362,223)
(20,925)	-	(20,925)
(811,978)	-	(811,978)
(128,060)	-	(128,060)
(1,660,455)	-	(1,660,455)
(136,585)	-	(136,585)
(68,586)	-	(68,586)
<u>(11,015,255)</u>	<u>-</u>	<u>(11,015,255)</u>
-	718,485	718,485
-	3,974,075	3,974,075
-	4,692,560	4,692,560
<u>(11,015,255)</u>	<u>4,692,560</u>	<u>(6,322,695)</u>
9,099,321	-	9,099,321
816,978	-	816,978
63,646	-	63,646
617,236	-	617,236
245,443	3,332	248,775
309,408	21,144	330,552
<u>11,152,032</u>	<u>24,476</u>	<u>11,176,508</u>
<u>(376,864)</u>	<u>376,864</u>	<u>-</u>
(240,087)	5,093,900	4,853,813
<u>22,282,449</u>	<u>71,803,736</u>	<u>94,086,185</u>
<u>\$ 22,042,362</u>	<u>\$ 76,897,636</u>	<u>\$ 98,939,998</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 5,191,562	\$ 5,413,949	\$ 10,605,511
Receivables (net of allowance for uncollectibles):			
Income taxes	2,751,393	-	2,751,393
Property and other local taxes	851,222	-	851,222
Accounts	15,919	909	16,828
Accrued interest	51,020	-	51,020
Loans	-	302,793	302,793
Due from other funds	2,365	-	2,365
Due from other governments	245,531	362,298	607,829
Materials and supplies inventory	-	112,492	112,492
Total assets	<u>\$ 9,109,012</u>	<u>\$ 6,192,441</u>	<u>\$ 15,301,453</u>
Liabilities:			
Accounts payable	\$ 70,493	\$ 642,427	\$ 712,920
Accrued wages and benefits payable	119,204	20,816	140,020
Due to other governments	219	1,199	1,418
Compensated absences payable	35,942	-	35,942
Due to other funds	-	2,365	2,365
Pension and postemployment benefits payable	91,639	11,442	103,081
Due to claimants	13,617	-	13,617
Total liabilities	<u>331,114</u>	<u>678,249</u>	<u>1,009,363</u>
Deferred inflows of resources:			
Property taxes levied for the next year	775,870	-	775,870
Delinquent property tax revenue not available	75,352	-	75,352
Accrued interest not available	24,497	-	24,497
Income tax revenue not available	1,708,226	-	1,708,226
Intergovernmental revenue not available	154,254	230,626	384,880
Total deferred inflows of resources	<u>2,738,199</u>	<u>230,626</u>	<u>2,968,825</u>
Fund balances:			
Nonspendable	-	112,492	112,492
Restricted	-	3,334,405	3,334,405
Committed	3,483,797	1,697,979	5,181,776
Assigned	371,147	196,309	567,456
Unassigned (deficit)	2,184,755	(57,619)	2,127,136
Total fund balances	<u>6,039,699</u>	<u>5,283,566</u>	<u>11,323,265</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,109,012</u>	<u>\$ 6,192,441</u>	<u>\$ 15,301,453</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total governmental fund balances		\$	11,323,265
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			20,513,589
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	1,708,226	
Delinquent property taxes receivable		75,352	
Due from other governments		384,880	
Accrued interest receivable		24,497	
Total		24,957	2,192,955
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 position.			(21,367)
When consolidating the internal service fund, the portion of the operating income or loss allocated to business-type activities is eliminated from the governmental activities and is reported as a component of internal balance.			(417)
In the statement of net position interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.			(14,887)
Unamortized premiums on bond issuances are not recognized in the funds.			(36,235)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.			49,084
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.			
Net pension asset		4,265	
Deferred outflows of resources		1,540,297	
Deferred inflows of resources		(44,056)	
Net pension liability		(10,878,767)	
Total		(9,378,261)	(9,378,261)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:			
General obligation bonds		(1,885,000)	
Compensated absences		(700,364)	
Total		(2,585,364)	(2,585,364)
Net position of governmental activities		\$	22,042,362

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, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Income taxes	\$ 8,967,302	\$ -	\$ 8,967,302
Property and other local taxes	866,580	-	866,580
Charges for services	25,357	433,119	458,476
Licenses, permits and fees	11,600	-	11,600
Fines and forfeitures	235,186	179,284	414,470
Intergovernmental	622,956	2,032,773	2,655,729
Investment income	234,897	2,359	237,256
Contributions and donations.	6,729	2,030	8,759
Other	371,177	138,470	509,647
Total revenues	<u>11,341,784</u>	<u>2,788,035</u>	<u>14,129,819</u>
Expenditures:			
Current:			
General government	2,239,357	697,414	2,936,771
Security of persons and property	6,115,804	92,567	6,208,371
Public health and welfare.	20,925	-	20,925
Transportation	-	1,019,810	1,019,810
Community environment	58,118	360,237	418,355
Leisure time activity	767,348	921,114	1,688,462
Economic development and assistance	123,097	-	123,097
Capital outlay	-	756,885	756,885
Debt service:			
Principal retirement.	-	365,000	365,000
Interest and fiscal charges	-	67,970	67,970
Total expenditures	<u>9,324,649</u>	<u>4,280,997</u>	<u>13,605,646</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>2,017,135</u>	<u>(1,492,962)</u>	<u>524,173</u>
Other financing sources (uses):			
Transfers in	-	1,416,748	1,416,748
Transfers out	(1,416,748)	-	(1,416,748)
Total other financing sources (uses)	<u>(1,416,748)</u>	<u>1,416,748</u>	<u>-</u>
Net change in fund balances	600,387	(76,214)	524,173
Fund balances at beginning of year	<u>5,439,312</u>	<u>5,359,780</u>	<u>10,799,092</u>
Fund balances at end of year	<u>\$ 6,039,699</u>	<u>\$ 5,283,566</u>	<u>\$ 11,323,265</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, 2015

Net change in fund balances - total governmental funds	\$	524,173
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 474,295	
Current year depreciation	(1,628,121)	
Total	(1,153,826)	(1,153,826)
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.		
		(34,529)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property tax revenue	14,044	
Intergovernmental revenue	(6,939)	
Income tax revenue	132,019	
Interest revenue	10,546	
Total	149,670	149,670
Repayment of the general obligation bonds is an expenditure in the governmental funds; however, in the statement of activities it is not recorded as an expense as it decreases liabilities on the statement of net position.		
		365,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The following items resulted in more interest being reported in the statement of activities:		
Decrease in accrued interest	3,338	
Amortization of deferred amounts on refunding	(13,386)	
Amortization of bond premiums	9,432	
Total	(616)	(616)
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.		
		34,809
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amount as deferred outflows.		
		983,238
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(1,110,439)
An internal service fund is used by management to charge the costs of internal equipment service and employee benefits to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance of (\$417), is allocated among the governmental activities.		
		2,433
Change in net position of governmental activities	\$	(240,087)

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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other local taxes	\$ 972,719	\$ 972,719	\$ 867,486	\$ (105,233)
Charges for services.	25,330	25,330	25,357	27
Licenses, permits and fees	22,700	22,700	11,600	(11,100)
Fines and forfeitures	230,000	230,000	232,942	2,942
Intergovernmental.	500,430	615,000	626,649	11,649
Investment income.	209,000	209,000	242,163	33,163
Contributions and donations.	85,000	85,000	4,767	(80,233)
Other	139,605	185,305	160,479	(24,826)
Total revenues	<u>2,184,784</u>	<u>2,345,054</u>	<u>2,171,443</u>	<u>(173,611)</u>
Expenditures:				
Current:				
General government	1,875,269	1,967,553	1,785,931	181,622
Security of persons and property	6,571,729	6,608,099	6,298,133	309,966
Public health and welfare.	27,312	27,312	21,100	6,212
Community environment	60,341	67,677	62,231	5,446
Leisure time activity	797,196	837,051	786,832	50,219
Economic development and assistance	160,290	164,040	126,236	37,804
Total expenditures	<u>9,492,137</u>	<u>9,671,732</u>	<u>9,080,463</u>	<u>591,269</u>
Excess of expenditures over revenues	<u>(7,307,353)</u>	<u>(7,326,678)</u>	<u>(6,909,020)</u>	<u>417,658</u>
Other financing sources (uses):				
Sale of capital assets.	5,000	5,000	12,571	7,571
Transfers in	6,900,000	6,900,000	6,900,000	-
Transfers out	-	(6,113)	(6,113)	-
Total other financing sources	<u>6,905,000</u>	<u>6,898,887</u>	<u>6,906,458</u>	<u>7,571</u>
Net change in fund balances	(402,353)	(427,791)	(2,562)	425,229
Fund balances at beginning of year	2,514,801	2,514,801	2,514,801	-
Prior year encumbrances appropriated	89,932	89,932	89,932	-
Fund balance at end of year	<u>\$ 2,202,380</u>	<u>\$ 2,176,942</u>	<u>\$ 2,602,171</u>	<u>\$ 425,229</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 4,945,483	\$ 20,953,579	\$ 25,899,062	\$ 18,594
Accounts	1,201,357	1,103,467	2,304,824	-
Due from other governments	-	39,739	39,739	-
Materials and supplies inventory	312,479	31,523	344,002	-
Total current assets	<u>6,459,319</u>	<u>22,128,308</u>	<u>28,587,627</u>	<u>18,594</u>
Noncurrent assets:				
Net pension asset	2,096	2,516	4,612	79
Restricted assets:				
Equity in pooled cash and investments	87,730	-	87,730	-
Capital assets:				
Land and construction in progress	1,185,652	58,105,917	59,291,569	-
Depreciable capital assets, net	69,544,945	7,078,635	76,623,580	-
Total capital assets, net	<u>70,730,597</u>	<u>65,184,552</u>	<u>135,915,149</u>	<u>-</u>
Total noncurrent assets	<u>70,820,423</u>	<u>65,187,068</u>	<u>136,007,491</u>	<u>79</u>
Total assets	<u>77,279,742</u>	<u>87,315,376</u>	<u>164,595,118</u>	<u>18,673</u>
Deferred outflows of resources:				
Pension - OPERS	220,996	265,239	486,235	8,318
Total deferred outflows of resources	<u>220,996</u>	<u>265,239</u>	<u>486,235</u>	<u>8,318</u>
Liabilities:				
Current liabilities:				
Accounts payable	120,534	86,442	206,976	718
Contracts payable	-	3,184,064	3,184,064	-
Accrued wages and benefits payable	32,614	39,217	71,831	1,159
Due to other governments	873	873	1,746	-
Pension and postemployment benefits payable	17,691	20,497	38,188	637
Accrued interest payable	5,712	-	5,712	-
Current portion of compensated absences	7,742	22,656	30,398	-
Current portion of general obligation bonds payable	555,000	-	555,000	-
OWDA loans payable	1,137,868	133,100	1,270,968	-
Current portion of OPWC loans payable	-	19,224	19,224	-
Current portion of lease obligations	10,656	10,656	21,312	-
Payable from restricted assets:				
Refundable deposits	87,730	-	87,730	-
Total current liabilities	<u>1,976,420</u>	<u>3,516,729</u>	<u>5,493,149</u>	<u>2,514</u>
Long-term liabilities:				
Compensated absences payable	150,619	188,652	339,271	-
General obligation bonds payable	4,877,829	-	4,877,829	-
OWDA loans payable	23,968,419	50,630,467	74,598,886	-
OPWC loans payable	-	127,246	127,246	-
Lease obligations payable	33,952	33,953	67,905	-
Net pension liability	1,196,345	1,435,853	2,632,198	45,029
Total long-term liabilities	<u>30,227,164</u>	<u>52,416,171</u>	<u>82,643,335</u>	<u>45,029</u>
Total liabilities	<u>32,203,584</u>	<u>55,932,900</u>	<u>88,136,484</u>	<u>47,543</u>
Deferred inflows of resources:				
Pension - OPERS	21,657	25,993	47,650	815
Total deferred inflows of resources	<u>21,657</u>	<u>25,993</u>	<u>47,650</u>	<u>815</u>
Net position:				
Net investment in capital assets	40,146,873	11,045,842	51,192,715	-
Unrestricted (deficit)	5,128,624	20,575,880	25,704,504	(21,367)
Total net position	<u>\$ 45,275,497</u>	<u>\$ 31,621,722</u>	<u>76,897,219</u>	<u>\$ (21,367)</u>
Adjustment to reflect the consolidation of the internal service fund's activity related to enterprise funds			417	
Net position of business-type activities			<u>\$ 76,897,636</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Operating revenues:				
Charges for services	\$ 7,355,910	\$ 8,316,492	\$ 15,672,402	\$ 81,479
Other	9,072	12,072	21,144	74
Total operating revenues	<u>7,364,982</u>	<u>8,328,564</u>	<u>15,693,546</u>	<u>81,553</u>
Operating expenses:				
Personal services	1,820,474	2,173,436	3,993,910	62,453
Contract services	272,713	641,807	914,520	3,854
Materials and supplies	965,926	423,011	1,388,937	2,785
Utilities expense	416,809	558,398	975,207	7,952
Depreciation	2,247,527	419,741	2,667,268	-
Other	87,825	79,491	167,316	1,610
Total operating expenses	<u>5,811,274</u>	<u>4,295,884</u>	<u>10,107,158</u>	<u>78,654</u>
Operating income	<u>1,553,708</u>	<u>4,032,680</u>	<u>5,586,388</u>	<u>2,899</u>
Nonoperating revenues (expenses):				
Interest revenue	-	3,332	3,332	-
Interest and fiscal charges	(883,182)	(345,994)	(1,229,176)	-
Loss on disposal of capital assets	(42,403)	(185,722)	(228,125)	-
Total nonoperating revenues (expenses)	<u>(925,585)</u>	<u>(528,384)</u>	<u>(1,453,969)</u>	<u>-</u>
Income before contributions	628,123	3,504,296	4,132,419	2,899
Capital contributions	476,015	485,000	961,015	-
Change in net position	1,104,138	3,989,296	5,093,434	2,899
Net position at beginning of year (restated)	<u>44,171,359</u>	<u>27,632,426</u>		<u>(24,266)</u>
Net position at end of year	<u>\$ 45,275,497</u>	<u>\$ 31,621,722</u>		<u>\$ (21,367)</u>
Adjustment to reflect the consolidation of the internal service fund's activity related to enterprise funds			466	
Change in net position of business-type activities.			<u>\$ 5,093,900</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, 2015

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Cash flows from operating activities:				
Cash received from charges for services	\$ 7,046,746	\$ 8,198,308	\$ 15,245,054	\$ 81,479
Cash received from other operations	37,147	12,072	49,219	74
Cash payments for personal services	(1,880,215)	(2,257,330)	(4,137,545)	(64,906)
Cash payments for contractual services	(261,553)	(633,516)	(895,069)	(3,854)
Cash payments for materials and supplies.	(881,477)	(425,942)	(1,307,419)	(2,785)
Cash payments for utilities expense.	(416,444)	(556,160)	(972,604)	(8,325)
Cash payments for other expenses	(115,376)	(79,152)	(194,528)	(1,610)
Net cash provided by operating activities	<u>3,528,828</u>	<u>4,258,280</u>	<u>7,787,108</u>	<u>73</u>
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets. . .	(449,941)	(32,940,995)	(33,390,936)	-
Cash received from the sale of capital assets	685	-	685	-
Cash received from capital contributions.	99,151	485,000	584,151	-
Cash payments for principal retirement.	(1,796,740)	(292,838)	(2,089,578)	-
Cash payments for interest and fiscal charges	(917,806)	(345,994)	(1,263,800)	-
Cash received from OWDA loan issuance.	-	32,315,889	32,315,889	-
Net cash used in capital and related financing activities.	<u>(3,064,651)</u>	<u>(778,938)</u>	<u>(3,843,589)</u>	<u>-</u>
Cash flows from investing activities:				
Cash received from interest earned.	-	3,332	3,332	-
Net cash provided by investing activities	<u>-</u>	<u>3,332</u>	<u>3,332</u>	<u>-</u>
Net increase in cash and cash equivalents	464,177	3,482,674	3,946,851	73
Cash and cash equivalents at beginning of year . . .	<u>4,569,036</u>	<u>17,470,905</u>	<u>22,039,941</u>	<u>18,521</u>
Cash and cash equivalents at end of year	<u>\$ 5,033,213</u>	<u>\$ 20,953,579</u>	<u>\$ 25,986,792</u>	<u>\$ 18,594</u>

- - Continued

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,553,708	\$ 4,032,680	\$ 5,586,388	\$ 2,899
Adjustments:				
Depreciation	2,247,527	419,741	2,667,268	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
(Increase) in accounts receivable	(309,164)	(118,077)	(427,241)	-
(Increase) in intergovernmental receivable	-	(107)	(107)	-
Decrease in materials and supplies inventory	81,009	(934)	80,075	-
(Increase) in net pension asset	(1,525)	(1,830)	(3,355)	(57)
(Increase) in deferred outflows - OPERS	(61,130)	(73,367)	(134,497)	(2,301)
Increase (decrease) in accounts payable	12,241	7,872	20,113	(375)
(Decrease) in accrued wages and benefits.	(55,540)	(68,364)	(123,904)	(2,212)
Increase (decrease) in compensated absences payable	1,358	(7,879)	(6,521)	-
Increase in intergovernmental payable	817	873	1,690	-
Increase in pension and postemployment benefits payable	8,448	9,248	17,696	287
Increase in refundable deposits liability.	2,400	-	2,400	-
Increase in net pension liability	27,022	32,431	59,453	1,017
Increase in deferred inflows - OPERS	21,657	25,993	47,650	815
Net cash provided by operating activities	<u>\$ 3,528,828</u>	<u>\$ 4,258,280</u>	<u>\$ 7,787,108</u>	<u>\$ 73</u>

During 2015, the water fund received \$376,864 in capital contributions from governmental activities.
 During 2015 and 2014, the water fund purchased \$63,085 and \$1,375, respectively, in capital assets on account.
 During 2015 and 2014, the sewer fund purchased \$3,196,672 and \$5,836,922, respectively, in capital assets on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2015

		Agency
Assets:		
Equity in pooled cash and investments	\$	44,270
Cash in segregated accounts.		5,490
Receivables:		
Accounts		2,445
Total assets	\$	52,205
Liabilities:		
Due to other governments	\$	37,779
Deposits held and due to others		14,426
Total liabilities	\$	52,205

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, 2015

NOTE 1 - DESCRIPTION OF THE CITY

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

The following is the City's major governmental fund:

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

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

PROPRIETARY FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

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

D. Measurement Focus and Basis of Accounting

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities and operating expenses for the internal service fund include personnel costs and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

E. Basis of Accounting

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

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability: (1) the net difference between projected and actual investment earnings on pension plan assets, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between employer's contributions and the employer's proportional share of contributions. These items are reported on the government-wide statement of net position and on the proprietary fund financial statements. Deferred outflows of resources related to pension are further explained in Note 15.

In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

The City also reports a deferred inflow of resources related to the City's net pension liability for differences between expected and actual experience. This deferred inflow of resources is reported on the government-wide statement of net position and on the proprietary fund financial statements. Deferred inflows of resources related to pension are further explained in Note 15.

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.

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. On or about December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the first and final amended official certificate of estimated resources issued during 2015.

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 2015.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

G. Cash and Investments

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

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

During 2015, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Home Loan Banks (FHLB) securities, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, negotiable and non-negotiable certificates of deposit and a U.S. Government money market fund.

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 shares price, which is the price the investment could be sold for on December 31, 2015.

The City also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

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 2015 was \$234,897, which includes \$196,549 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

H. Loans Receivable

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

I. Inventories of Materials and Supplies

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

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

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their 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. Capitalized interest related to Ohio Water Development Authority (OWDA) Loan were included during 2015.

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, 2015

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

M. Interfund Activity

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

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

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

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

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

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

O. Restricted Assets

Customer deposits are held in the water fund to assure payment of utility bills.

Restricted assets at December 31, 2015 are comprised of the following:

	Cash and <u>Cash Equivalents</u>
Customer deposits	<u>\$ 87,730</u>

The restricted assets are equally offset by a restricted payable so there is no effect on net position of the water fund.

P. Bond Premium and Discount/Accounting Gain or Loss

Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds. Bond discounts are presented as a reduction to the face amount of the bonds.

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

On the governmental-wide financial statements and proprietary fund financial statements bond premiums are recognized in the current period. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 12.

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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

R. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, grants or outside contributions of resources restricted to capital acquisition and construction, or capital assets that are purchased by a fund and then transferred to another fund. Capital contributions are reported as nonoperating revenue in the proprietary fund financial statements. During 2015, the water and sewer enterprise funds received \$961,015 in capital contributions.

S. Net Position

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

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. The City had neither type of occurrence during 2015.

U. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the City's pension plan disclosures, as presented in Note 15 to the financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities and business-type activities at January 1, 2015 have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position as previously reported	\$ 31,571,482	\$ 74,023,486
Deferred outflows - payments subsequent to measurement date	1,072,064	351,738
Net pension asset	1,184	1,257
Net pension liability	<u>(10,362,281)</u>	<u>(2,572,745)</u>
Restated net position at January 1, 2015	<u>\$ 22,282,449</u>	<u>\$ 71,803,736</u>

	<u>Water Enterprise Fund</u>	<u>Sewer Enterprise Fund</u>	<u>Internal Service Fund</u>
Net position as previously reported	\$ 45,180,245	\$ 28,843,290	\$ 13,707
Deferred outflows - payments subsequent to measurement date	159,866	191,872	6,017
Net pension asset	571	686	22
Net pension liability	<u>(1,169,323)</u>	<u>(1,403,422)</u>	<u>(44,012)</u>
Restated net position at January 1, 2015	<u>\$ 44,171,359</u>	<u>\$ 27,632,426</u>	<u>\$ (24,266)</u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on governmental fund balances.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2015 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Ohio CDBG	\$ 48,680
Community housing	7,086
CCA grant	1,853

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above provide that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and STAR Plus;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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; and,
3. Obligations of the City.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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 \$87,730 in restricted assets for refundable deposits from customers of the water fund. This amount is included in the "deposits with financial institutions" below.

A. Cash in Segregated Accounts

At year end, \$5,490 was on deposit in segregated accounts for the Municipal Court and small business checking account. These accounts are included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the statement of net position and the governmental funds balance sheet as "equity in pooled cash and investments".

B. Deposits with Financial Institutions

As of December 31, 2015, the carrying amount of all City deposits was \$14,436,206. At December 31, 2015, \$2,960,392 of the City's bank balance of \$14,927,214 was covered by the Federal Deposit Insurance Corporation and \$11,966,822 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, 2015

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.

C. Investments

As of December 31, 2015, the City had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	\$ 25	\$ 25	\$ -	\$ -	\$ -	\$ -
U.S. Government money market	274,303	274,303	-	-	-	-
Negotiable CD	11,073,330	747,013	4,718,597	743,320	1,732,441	3,131,959
FHLMC	7,160,193	-	-	-	-	7,160,193
FNMA	2,487,163	-	-	-	-	2,487,163
FHLB	477,787	-	-	-	-	477,787
FFCB	746,160	-	-	-	-	746,160
Total	\$ 22,218,961	\$ 1,021,341	\$ 4,718,597	\$ 743,320	\$ 1,732,441	\$ 14,003,262

The weighted average maturity of investments is 2.64 years.

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 investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City's investments in negotiable CDs are insured by the FDIC. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2015, is 49 days and carries a rating of AAAM by Standard and Poor's.

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2015:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 25	-
U.S. Government money market	274,303	1.23
Negotiable CD	11,073,330	49.84
FHLMC	7,160,193	32.23
FNMA	2,487,163	11.19
FHLB	477,787	2.15
FFCB	<u>746,160</u>	<u>3.36</u>
Total	<u>\$ 22,218,961</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of December 31, 2015:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 14,436,206
Investments	22,218,961
Cash in segregated accounts	<u>5,490</u>
Total	<u>\$ 36,660,657</u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 10,624,105
Business type activities	25,986,792
Agency funds	<u>49,760</u>
Total	<u>\$ 36,660,657</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - INTERFUND TRANSFERS

- A. Interfund transfers for the year ended December 31, 2015 consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	<u>\$ 1,416,748</u>

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

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

- B. Interfund balances at December 31, 2015 consisted of the following amounts due from and to other funds as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 2,365</u>

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

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Fremont. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, tangible personal property taxes and outstanding delinquencies which are measurable as of December 31, 2015 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflows since the current taxes were not levied to finance 2015 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2015 was \$3.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2015 property tax receipts were based are as follows:

<u>Real property</u>		
Residential/agricultural	\$	143,741,410
Commercial/industrial/mineral		95,612,160
<u>Public utility</u>		
Real		104,240
Personal		<u>31,781,610</u>
Total assessed value	\$	<u><u>271,239,420</u></u>

NOTE 7 - LOCAL INCOME TAX

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue is credited to the general fund and amounted to \$8,967,302 in 2015.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2015 consisted of taxes, accounts (billings for user charged services), loans, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable and available at December 31, 2015.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 8 - RECEIVABLES - (Continued)

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

<u>Receivables:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Income taxes	\$ 2,751,393	\$ -
Property and other local taxes	851,222	-
Accounts	16,828	2,304,824
Loans	302,793	-
Accrued interest	51,020	-
Due from other governments	<u>607,829</u>	<u>39,739</u>
Total	<u>\$ 4,581,085</u>	<u>\$ 2,344,563</u>

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

NOTE 9 - LOANS RECEIVABLE

The Fremont City Council created the Revolving Loan Committee and granted them the authority to act on behalf of the City of Fremont in making loans from the City's revolving loan fund to qualified applicants within the revolving loan fund geographic area. At the close of 2015, there were loans to five businesses with a total principal balance of \$302,793. \$30,981 is the amount due within one year and \$271,812 is due in more than one year.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/15</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 809,559	\$ -	\$ -	\$ 809,559
Construction-in-progress	1,300	279,543	-	280,843
<i>Total capital assets, not being depreciated</i>	<u>810,859</u>	<u>279,543</u>	<u>-</u>	<u>1,090,402</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,594,237	5,880	-	4,600,117
Buildings and improvements	12,697,959	9,141	-	12,707,100
Machinery and equipment	7,579,597	125,327	(274,985)	7,429,939
Infrastructure	19,012,289	54,404	(465,083)	18,601,610
<i>Total capital assets, being depreciated</i>	<u>43,884,082</u>	<u>194,752</u>	<u>(740,068)</u>	<u>43,338,766</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,209,287)	(197,950)	-	(2,407,237)
Buildings and improvements	(5,925,235)	(359,870)	-	(6,285,105)
Machinery and equipment	(4,109,189)	(381,516)	268,528	(4,222,177)
Infrastructure	(10,749,286)	(688,785)	437,011	(11,001,060)
<i>Total accumulated depreciation</i>	<u>(22,992,997)</u>	<u>(1,628,121)</u>	<u>705,539</u>	<u>(23,915,579)</u>
Total capital assets, being depreciated, net	<u>20,891,085</u>	<u>(1,433,369)</u>	<u>(34,529)</u>	<u>19,423,187</u>
Total capital assets, net	<u>\$ 21,701,944</u>	<u>\$ (1,153,826)</u>	<u>\$ (34,529)</u>	<u>\$ 20,513,589</u>

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

<u>Governmental activities:</u>	
General government	\$ 62,610
Security of persons and property	266,428
Transportation	834,497
Leisure time activities	443,159
Economic development	<u>21,427</u>
Total depreciation expense	<u>\$ 1,628,121</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/15</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 903,988	\$ -	\$ -	\$ 903,988
Construction-in-progress	28,382,342	30,583,306	(578,067)	58,387,581
<i>Total capital assets, not being depreciated</i>	<u>29,286,330</u>	<u>30,583,306</u>	<u>(578,067)</u>	<u>59,291,569</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	38,911,556	-	(9,881)	38,901,675
Buildings and improvements	39,187,657	-	(372,592)	38,815,065
Machinery and equipment	8,065,145	409,666	(612,124)	7,862,687
Infrastructure	26,357,393	774,355	-	27,131,748
<i>Total capital assets, being depreciated</i>	<u>112,521,751</u>	<u>1,184,021</u>	<u>(994,597)</u>	<u>112,711,175</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,623,353)	(792,842)	5,709	(2,410,486)
Buildings and improvements	(17,341,279)	(971,138)	236,575	(18,075,842)
Machinery and equipment	(6,407,504)	(380,914)	523,503	(6,264,915)
Infrastructure	(8,813,978)	(522,374)	-	(9,336,352)
<i>Total accumulated depreciation</i>	<u>(34,186,114)</u>	<u>(2,667,268)</u>	<u>765,787</u>	<u>(36,087,595)</u>
Total capital assets, being depreciated, net	<u>78,335,637</u>	<u>(1,483,247)</u>	<u>(228,810)</u>	<u>76,623,580</u>
Total capital assets, net	<u>\$ 107,621,967</u>	<u>\$ 29,100,059</u>	<u>\$ (806,877)</u>	<u>\$ 135,915,149</u>

Construction in progress represents costs in and out of the water and sewer funds relating to the OEPA Long Term Plan, Commerce Drive 24" waterline, Middle Street waterline and the sludge facility, as of December 31, 2015.

Capital Assets related to Ohio Water Development Authority (OWDA) loans include \$1,339,032 in capitalized interest

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

<u>Business-type activities:</u>	<u>Depreciation</u> <u>Expense</u>
Water fund	\$ 2,247,527
Sewer fund	<u>419,741</u>
Total depreciation expense	<u>\$ 2,667,268</u>

NOTE 11 - LEASE-PURCHASE AGREEMENT

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 11 - LEASE-PURCHASE AGREEMENT - (Continued)

Capital assets consisting of machinery and equipment have been capitalized in the amount of \$109,900 in the business-type activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2015 was \$16,485, leaving a book value of \$93,415.

The following is a schedule of the future minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of December 31, 2015:

<u>Year Ending December 31,</u>	<u>Loader</u>
2016	\$ 24,026
2017	24,025
2018	24,025
2019	<u>24,026</u>
Total minimum lease payments	96,102
Less: amount representing interest	<u>(6,885)</u>
Present value of future minimum lease payments	<u>\$ 89,217</u>

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental activities

The City's governmental activities long-term obligations at December 31, 2015 were as follows:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Amount Due</u>
<u>Governmental activities:</u>	<u>12/31/14</u>			<u>12/31/15</u>	<u>Within</u>
					<u>One Year</u>
<u>General obligation bonds:</u>					
Community center	\$ 1,610,000	\$ -	\$ (305,000)	\$ 1,305,000	\$ 315,000
Police and fire pension	<u>640,000</u>	<u>-</u>	<u>(60,000)</u>	<u>580,000</u>	<u>60,000</u>
Total general obligation bonds	2,250,000	-	(365,000)	1,885,000	375,000
<u>Other long-term obligations:</u>					
Net pension liability	10,362,281	561,515	-	\$ 10,923,796	-
Compensated absences	<u>741,465</u>	<u>50,581</u>	<u>(55,740)</u>	<u>736,306</u>	<u>88,914</u>
Total	13,353,746	612,096	(420,740)	13,545,102	463,914
Unamortized premium on bonds	<u>45,667</u>	<u>-</u>	<u>(9,432)</u>	<u>36,235</u>	<u>-</u>
Total long-term obligations	<u>\$ 13,399,413</u>	<u>\$ 612,096</u>	<u>\$ (430,172)</u>	<u>\$ 13,581,337</u>	<u>\$ 463,914</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

General obligation bonds:

Community center bonds:

The community center general obligation bonds were originally issued in 1999, carried an interest rate of 3.25% - 4.85%, and were issued for the construction of a community center. These general obligation bonds were advance refunded in 2009 with the proceeds of a \$3,040,000 refunding bond issue. The refunding bonds carry an interest rate of 2.50% - 4.00%. The bonds are a general obligation of the City, and the principal and interest payments are paid out of the debt service fund. The proceeds of the 2009 general obligation bonds were used for the advance refunding of the 1999 general obligation bonds by purchasing state and local government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance of the refunded bonds at December 31, 2015 is \$1,305,000; however, this amount is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

Police and fire pension bonds:

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

Compensated absences:

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

Net pension liability:

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

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**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-type activities

The City's business-type activities long-term obligations at December 31, 2015 were as follows:

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/15</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>General obligation bonds</u>					
Water refunding series 2012	\$ 5,725,000	\$ -	\$ (595,000)	\$ 5,130,000	\$ 555,000
Total	<u>5,725,000</u>	<u>-</u>	<u>(595,000)</u>	<u>5,130,000</u>	<u>555,000</u>
<u>OPWC loans</u>					
Sewer - series 2001	72,328	-	(10,332)	61,996	10,332
Sewer - series 2004	93,366	-	(8,892)	84,474	8,892
Total	<u>165,694</u>	<u>-</u>	<u>(19,224)</u>	<u>146,470</u>	<u>19,224</u>
<u>OWDA loans</u>					
Dam removal project	3,184,798	-	(128,435)	3,056,363	133,100
Water pollution control center expansion	15,526,153	32,315,889	(134,838)	47,707,204	-
Water reservoir phase 1	5,193,118	-	(232,275)	4,960,843	239,971
Water reservoir phase 2	1,475,382	-	(35,159)	1,440,223	-
Off stream raw water - supply phase 2A	756,321	-	(51,499)	704,822	-
Water reservoir phase 1 - supplement	<u>18,872,864</u>	<u>-</u>	<u>(872,465)</u>	<u>18,000,399</u>	<u>897,897</u>
Total	<u>45,008,636</u>	<u>32,315,889</u>	<u>(1,454,671)</u>	<u>75,869,854</u>	<u>1,270,968</u>
<u>Other long-term obligations</u>					
Net pension liability	2,572,745	59,453	-	2,632,198	-
Lease-purchase agreement	109,900	-	(20,683)	89,217	21,312
Compensated absences	<u>376,190</u>	<u>44,399</u>	<u>(50,920)</u>	<u>369,669</u>	<u>30,398</u>
Total long-term obligations	<u>\$ 53,958,165</u>	<u>\$ 32,419,741</u>	<u>\$ (2,140,498)</u>	<u>\$ 84,237,408</u>	<u>\$ 1,896,902</u>
			Add: Unamortized bond premium	<u>302,829</u>	
				<u>\$ 84,540,237</u>	

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

General obligation refunding bonds: water - series 2012

On October 3, 2012, the City issued \$6,900,000 in general obligation current refunding bonds to refund outstanding general obligation bonds. The balance of the refunding bonds at December 31, 2015 is \$5,130,000. The refunding bonds bear an annual interest rate ranging from 2.00% - 5.00% and will mature in 2024. The general obligation bonds are a general obligation of the City, and the principal and interest payments are paid from the water fund. A portion of the proceeds of the bonds were used for the advance refunding of the 2003 general obligation bonds. These proceeds were used to purchase state and local government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The balance of the refunded bonds at December 31, 2015 is \$5,555,000, but is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

Ohio Public Works Commission (OPWC) loans

The OPWC loans were granted from the Ohio Public Works Commission in 2001 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.

Ohio Water Development Authority (OWDA) loans

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

As of December 31, 2015, loan amounts have not been finalized for the Water Pollution Control Center Expansion, Water Reservoir Phase 2 and Off Stream Raw Water Supply Phase 2A; therefore, a schedule of future payments has not been included for those loans.

The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through a future date which has yet to be finalized. Annual principal and interest payments on the loans are expected to required 24.96 percent of net revenues and 13.13 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$33,204,031. Principal and interest paid for the current year were \$2,060,131, total net revenues were \$8,253,656 and total revenues were \$15,693,546

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

C. Principal and interest requirements to retire the general obligation bonds, the OPWC loans, and the police and fire pension liability as of December 31, 2015 are as follows:

Year Ending December 31,	General Obligation Bonds - Community Center			Year Ending December 31,	Pension Liability - Police and Fire Pension		
	Principal	Interest	Total		Principal	Interest	Total
2016	\$ 315,000	\$ 45,000	\$ 360,000	2016	\$ 60,000	\$ 12,680	\$ 72,680
2017	320,000	35,550	355,550	2017	60,000	11,540	71,540
2018	330,000	25,150	355,150	2018	60,000	10,520	70,520
2019	340,000	13,600	353,600	2019	65,000	9,500	74,500
Total	<u>\$ 1,305,000</u>	<u>\$ 119,300</u>	<u>\$ 1,424,300</u>	2020	65,000	8,395	73,395
				2021 - 2024	270,000	18,495	288,495
				Total	<u>\$ 580,000</u>	<u>\$ 71,130</u>	<u>\$ 651,130</u>

Year Ending December 31,	General Obligation Bonds - Water Series 2012		
	Principal	Interest	Total
2016	\$ 555,000	\$ 131,900	\$ 686,900
2018	300,000	109,700	409,700
2018	610,000	97,700	707,700
2019	620,000	73,300	693,300
2020	630,000	60,900	690,900
2021 - 2024	2,415,000	116,100	2,531,100
Total	<u>\$ 5,130,000</u>	<u>\$ 589,600</u>	<u>\$ 5,719,600</u>

Year Ending December 31,	OPWC Loans - Sewer - Series 2001			Year Ending December 31,	OPWC Loans - Sewer - Series 2004		
	Principal	Interest	Total		Principal	Interest	Total
2016	\$ 10,332	\$ -	\$ 10,332	2016	\$ 8,892	\$ -	\$ 8,892
2017	10,333	-	10,333	2017	8,892	-	8,892
2018	10,332	-	10,332	2018	8,892	-	8,892
2019	10,333	-	10,333	2019	8,892	-	8,892
2020	10,333	-	10,333	2020	8,892	-	8,892
2021	10,333	-	10,333	2021 - 2025	40,014	-	40,014
Total	<u>\$ 61,996</u>	<u>\$ -</u>	<u>\$ 61,996</u>	Total	<u>\$ 84,474</u>	<u>\$ -</u>	<u>\$ 84,474</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2016	\$ 1,270,968	\$ 789,162	\$ 2,060,130
2017	1,309,952	750,178	2,060,130
2018	1,350,168	709,962	2,060,130
2019	1,391,655	668,475	2,060,130
2020	1,434,454	625,675	2,060,129
2021 - 2025	7,863,271	2,437,382	10,300,653
2026 - 2030	9,156,415	1,144,238	10,300,653
2031 - 2032	<u>2,240,722</u>	<u>61,354</u>	<u>2,302,076</u>
Total	<u>\$ 26,017,605</u>	<u>\$ 7,186,426</u>	<u>\$ 33,204,031</u>

D. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2015, the City's total debt margin was \$27,371,448 and the unvoted debt margin was \$14,918,168.

NOTE 13 - OTHER EMPLOYEE BENEFITS

Compensated Absences

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

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

As of December 31, 2015, the governmental activities liability for compensated absences was \$736,306, the business-type activities liability for compensated absences was \$369,669, and the City's total liability for compensated absences was \$1,105,975.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - RISK MANAGEMENT

Property and Casualty Insurance

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013 (the latest information available), PEP retained \$350,000 for casualty claims and \$100,000 for property claims. Settlements have not exceeded insurance coverage in each of the past three years.

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

Financial Position

PEP’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

<u>Casualty & Property Coverage</u>	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 and \$11.0 million of unpaid claims to be billed. The Pool’s membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the City’s share of these unpaid claims collectible in future years is approximately \$147,000.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 14 - RISK MANAGEMENT - (Continued)

<u>Contributions to PEP</u>	
2014	\$222,983
2015	\$232,764

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

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

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

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

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

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

The City's contractually required contribution for both the Traditional Pension Plan and the Combined Plan was \$637,102 for 2015. Of this amount, \$72,741 is reported as pension and postemployment benefits payable.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
 2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
 Total Employer	19.50 %	24.00 %
 Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$679,867 for 2015. Of this amount \$69,165 is reported as pension and postemployment benefits payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 5,110,899	\$ 8,445,095	\$ 13,555,994
Proportionate share of the net pension asset	8,956	-	8,956
Proportion of the net pension liability	0.04237500%	0.16301960%	
Proportion of the net pension asset	0.02326100%	-	
Pension expense	\$ 577,395	\$ 835,501	\$ 1,412,896

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Net difference between projected and actual earnings on pension plan investments	\$ 273,249	\$ 363,976	\$ 637,225
Difference between employer contributions and proportionate share of contributions	33,766	46,890	80,656
City contributions subsequent to the measurement date	<u>637,102</u>	<u>679,867</u>	<u>1,316,969</u>
Total deferred outflows of resources	<u>\$ 944,117</u>	<u>\$ 1,090,733</u>	<u>\$ 2,034,850</u>
Deferred inflows of resources			
Differences between expected and actual experience	<u>\$ 92,521</u>	<u>\$ -</u>	<u>\$ 92,521</u>

\$1,316,969 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2016.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$ 42,139	\$ 102,717	\$ 144,856
2017	42,139	102,717	144,856
2018	63,664	102,717	166,381
2019	67,987	102,715	170,702
2020	(325)	-	(325)
Thereafter	(1,110)	-	(1,110)
Total	<u>\$ 214,494</u>	<u>\$ 410,866</u>	<u>\$ 625,360</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability/asset in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions for both the Traditional and Combined Plans, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 9,402,589	\$ 5,110,899	\$ 1,496,261
Combined Plan	\$ 1,163	\$ (8,956)	\$ (16,981)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation date	January 1, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8.25 percent
Projected salary increases	4.25 percent to 11 percent
Payroll increases	3.75 percent
Inflation assumptions	3.25 percent
Cost of living adjustments	2.60 percent and 3.00 percent

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

The most recent experience study was completed January 1, 2012.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 11,680,844	\$ 8,445,095	\$ 5,705,399

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

.NOTE 16 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB 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 healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00%.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$106,184, \$105,230, and \$51,735, respectively; 90.21% has been contributed for 2015 and 100% has been contributed for 2014 and 2013. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2015, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$9,431 and \$7,041 for the year ended December 31, 2015, \$9,101 and \$7,155 for the year ended December 31, 2014, and \$65,692 and \$50,724, for the year ended December 31, 2013. 100% has been contributed for 2014 and 2013. 90.53% has been contributed for police and 89.58% has been contributed for firefighters for 2015. The remaining 2015 post-employment health care benefits liability has been reported as pension and postemployment benefits payable on the basic financial statements.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (2,562)
Net adjustment for revenue accruals	16,373
Net adjustment for expenditure accruals	166,628
Net adjustment for other sources/uses	(12,571)
Funds budgeted elsewhere	264,327
Adjustment for encumbrances	<u>168,192</u>
GAAP basis	<u>\$ 600,387</u>

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

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2015.

B. Litigation

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 19 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 129,841
Other governmental	<u>1,929,005</u>
Total	<u>\$ 2,058,846</u>

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**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 20 - FUND BALANCE

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

Fund balance	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Materials and supplies inventory	\$ -	\$ 112,492	\$ 112,492
Total nonspendable	<u>-</u>	<u>112,492</u>	<u>112,492</u>
Restricted:			
Debt service	-	652,118	652,118
Transporation projects	-	699,059	699,059
Court projects	-	417,826	417,826
Revolving loans	-	376,226	376,226
R.L. Walsh trust	-	725,315	725,315
Other purposes	<u>-</u>	<u>463,861</u>	<u>463,861</u>
Total restricted	<u>-</u>	<u>3,334,405</u>	<u>3,334,405</u>
Committed:			
Capital projects	-	1,472,479	1,472,479
Recreation	-	225,500	225,500
Municipal income tax	<u>3,483,797</u>	<u>-</u>	<u>3,483,797</u>
Total committed	<u>3,483,797</u>	<u>1,697,979</u>	<u>5,181,776</u>
Assigned:			
General government	89,026	-	89,026
Securities of persons and property	12,829	-	12,829
Public health and welfare	175	-	175
Community environment	294	-	294
Leisure time activities	2,907	-	2,907
Economic environment	279	-	279
Recreation trust	26,993	-	26,993
Subsequent year appropriations	238,644	-	238,644
Debt service	<u>-</u>	<u>196,309</u>	<u>196,309</u>
Total assigned	<u>371,147</u>	<u>196,309</u>	<u>567,456</u>
Unassigned (deficit)	<u>2,184,755</u>	<u>(57,619)</u>	<u>2,127,136</u>
Total fund balances	<u>\$ 6,039,699</u>	<u>\$ 5,283,566</u>	<u>\$ 11,323,265</u>

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	2014	2013
<i>Traditional Plan:</i>		
City's proportion of the net pension liability	0.042375%	0.042375%
City's proportionate share of the net pension liability	\$ 5,110,899	\$ 4,995,460
City's covered-employee payroll	\$ 5,606,342	\$ 5,080,531
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	91.16%	98.33%
Plan fiduciary net position as a percentage of the total pension liability	86.45%	86.36%
<i>Combined Plan:</i>		
City's proportion of the net pension asset	0.023261%	0.023261%
City's proportionate share of the net pension asset	\$ 8,956	\$ 2,441
City's covered-employee payroll	\$ 85,025	\$ 92,938
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	10.53%	2.63%
Plan fiduciary net position as a percentage of the total pension asset	114.83%	104.56%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	2014	2013
City's proportion of the net pension liability	0.16301960%	0.16301960%
City's proportionate share of the net pension liability	\$ 8,445,095	\$ 7,939,566
City's covered-employee payroll	\$ 3,529,882	\$ 3,208,481
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	239.25%	247.46%
Plan fiduciary net position as a percentage of the total pension liability	72.20%	73.00%

Note: Information prior to 2013 was unavailable.

Amounts presented as of the City's measurement date which is the prior year.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX YEARS (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 627,306	\$ 672,761	\$ 660,469	\$ 504,556
Contributions in relation to the contractually required contribution	<u>(627,306)</u>	<u>(672,761)</u>	<u>(660,469)</u>	<u>(504,556)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,227,550	\$ 5,606,342	\$ 5,080,531	\$ 5,045,560
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	10.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 9,796	\$ 10,203	\$ 12,082	\$ 6,924
Contributions in relation to the contractually required contribution	<u>(9,796)</u>	<u>(10,203)</u>	<u>(12,082)</u>	<u>(6,924)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City/County's covered-employee payroll	\$ 81,633	\$ 85,025	\$ 92,938	\$ 87,094
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%	7.95%

(1) Information prior to 2010 not available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>
\$ 497,061	\$ 463,608
<u>(497,061)</u>	<u>(463,608)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 4,970,610	\$ 5,199,342
10.00%	8.92%
\$ 5,826	\$ 5,382
<u>(5,826)</u>	<u>(5,382)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 73,283	\$ 55,561
7.95%	9.69%

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<i>Police:</i>				
Contractually required contribution	\$ 348,937	\$ 374,445	\$ 287,288	\$ 248,290
Contributions in relation to the contractually required contribution	<u>(348,937)</u>	<u>(374,445)</u>	<u>(287,288)</u>	<u>(248,290)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,836,511	\$ 1,970,763	\$ 1,808,739	\$ 1,947,373
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	15.88%	12.75%
<i>Fire:</i>				
Contractually required contribution	\$ 330,930	\$ 366,393	\$ 285,314	\$ 246,301
Contributions in relation to the contractually required contribution	<u>(330,930)</u>	<u>(366,393)</u>	<u>(285,314)</u>	<u>(246,301)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,408,213	\$ 1,559,119	\$ 1,399,742	\$ 1,427,832
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	20.38%	17.25%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 245,226	\$ 247,179	\$ 238,093	\$ 239,955	\$ 359,173	\$ 343,822
<u>(245,226)</u>	<u>(247,179)</u>	<u>(238,093)</u>	<u>(239,955)</u>	<u>(359,173)</u>	<u>(343,822)</u>
<u>\$ -</u>					
\$ 1,923,341	\$ 1,938,659	\$ 1,867,396	\$ 1,882,000	\$ 2,817,043	\$ 2,926,145
12.75%	12.75%	12.75%	12.75%	12.75%	11.75%
\$ 239,539	\$ 254,503	\$ 247,740	\$ 239,532	\$ 316,958	\$ 326,322
<u>(239,539)</u>	<u>(254,503)</u>	<u>(247,740)</u>	<u>(239,532)</u>	<u>(316,958)</u>	<u>(326,322)</u>
<u>\$ -</u>					
\$ 1,388,632	\$ 1,475,380	\$ 1,436,174	\$ 1,388,591	\$ 1,837,438	\$ 1,948,191
17.25%	17.25%	17.25%	17.25%	17.25%	16.75%

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

June 28, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fremont, Sandusky County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2016, wherein we noted the City restated the net position balances to account for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hea & Associates, Inc.

Lima, Ohio



Dave Yost • 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
JULY 28, 2016**