

City of Fremont
Sandusky County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2016



Dave Yost • Auditor of State

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

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, 2016 through December 31, 2016. 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

August 31, 2017

City of Fremont
Sandusky County, Ohio
December 31, 2016
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June 9, 2017

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the City's Proportionate Share of the Net Pension Liability/Net Pension Asset, and the Schedule of City Contributions on pages 3-18, 80-81 and 82-85 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 9, 2017 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, 2016
(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, 2016. 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 2016 are as follows:

- The total net position of the City increased \$3,308,073 or 3.34% from 2015. Net position of governmental activities increased \$838,107 or 3.80% from 2015 and net position of business-type activities increased \$2,469,966 or 3.21% over 2015.
- General revenues accounted for \$11,705,809 or 74.74% of total governmental activities revenue. Program specific revenues accounted for \$3,955,384 or 25.26% of total governmental activities revenue.
- The City had \$14,731,677 in expenses related to governmental activities; \$3,955,384 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$10,776,293 were offset by general revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$11,705,809.
- The general fund had revenues of \$12,717,156 in 2016. This represents an increase of \$1,375,372 or 12.13% from 2015. The expenditures and other financing uses of the general fund, which totaled \$10,967,029 in 2016, increased \$225,632 or 2.10% from 2015. The net increase in fund balance for the general fund was \$1,750,127 or 28.98%.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2016 by \$2,469,966. 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 \$15,054 more than the final budget revenues and other financing sources, and actual expenditures and other financing uses were \$933,528 less than the final budget expenditures and other financing uses. Budgeted expenditures and other financing uses increased \$284,807 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, 2016
(UNAUDITED)**

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" 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 19-21 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 12.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The basic fund financial statements can be found on pages 22-26 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 80-86 of this report.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2016 and December 31, 2015.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<u>Assets</u>						
Current assets	\$ 16,672,890	\$ 15,321,609	\$ 29,215,932	\$ 28,680,386	\$ 45,888,822	\$ 44,001,995
Capital assets, net	19,900,871	20,513,589	150,310,928	135,915,149	170,211,799	156,428,738
Total assets	<u>36,573,761</u>	<u>35,835,198</u>	<u>179,526,860</u>	<u>164,595,535</u>	<u>216,100,621</u>	<u>200,430,733</u>
<u>Deferred outflows of resources</u>						
Unamortized deferred charges	35,698	49,084	-	-	35,698	49,084
Pension	3,803,603	1,548,615	1,546,124	486,235	5,349,727	2,034,850
Total deferred outflows of resources	<u>3,839,301</u>	<u>1,597,699</u>	<u>1,546,124</u>	<u>486,235</u>	<u>5,385,425</u>	<u>2,083,934</u>
<u>Liabilities</u>						
Current liabilities	412,780	988,457	2,034,514	3,596,247	2,447,294	4,584,704
Long-term liabilities:						
Due within one year	498,713	463,914	1,682,770	1,896,902	2,181,483	2,360,816
Net pension liability	13,973,357	10,923,796	4,007,771	2,632,198	17,981,128	13,555,994
Other amounts	1,759,315	2,193,627	93,890,048	80,011,137	95,649,363	82,204,764
Total liabilities	<u>16,644,165</u>	<u>14,569,794</u>	<u>101,615,103</u>	<u>88,136,484</u>	<u>118,259,268</u>	<u>102,706,278</u>
<u>Deferred inflows of resources</u>						
Property taxes	782,375	775,870	-	-	782,375	775,870
Pension	106,053	44,871	90,279	47,650	196,332	92,521
Total deferred inflows of resources	<u>888,428</u>	<u>820,741</u>	<u>90,279</u>	<u>47,650</u>	<u>978,707</u>	<u>868,391</u>
<u>Net Position</u>						
Net investment in capital assets	18,922,251	19,224,235	53,780,473	51,192,715	72,702,724	70,416,950
Restricted	3,653,825	2,854,870	-	-	3,653,825	2,854,870
Unrestricted (deficit)	304,393	(36,743)	25,587,129	25,704,921	25,891,522	25,668,178
Total net position	<u>\$ 22,880,469</u>	<u>\$ 22,042,362</u>	<u>\$ 79,367,602</u>	<u>\$ 76,897,636</u>	<u>\$ 102,248,071</u>	<u>\$ 98,939,998</u>

During a prior year, 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
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

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

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

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

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

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

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

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.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$102,248,071. At year-end, net positions were \$22,880,469 and \$79,367,602 for the governmental activities and the business-type activities, respectively.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 78.63% 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, 2016, were \$18,922,251 and \$53,780,473 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, \$3,653,825 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 \$304,393.

Assets of the business-type activities increased \$14,931,325 or 9.07% from 2015. Current assets of the business-type activities increased \$535,546 or 1.87% 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 \$14,395,779 or 10.59%. 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 \$13,478,619 or 15.29% from 2015. Current liabilities of the business-type activities decreased \$1,561,733 or 43.43% 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 \$15,040,352 or 17.79%. 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, 2016
(UNAUDITED)**

The table below shows the changes in net position for fiscal years 2016 and 2015.

	Change in Net Position					
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	2016 Total	2015 Total
	2016	2015	2016	2015		
Revenues						
Program revenues:						
Charges for services	\$ 1,031,524	\$ 1,014,176	\$ 15,504,513	\$ 15,672,402	\$ 16,536,037	\$ 16,686,578
Operating grants and contributions	2,816,330	1,912,608	-	-	2,816,330	1,912,608
Capital grants and contributions	107,530	200,673	-	584,151	107,530	784,824
Total program revenues	<u>3,955,384</u>	<u>3,127,457</u>	<u>15,504,513</u>	<u>16,256,553</u>	<u>19,459,897</u>	<u>19,384,010</u>
General revenues:						
Property taxes	842,559	816,978	-	-	842,559	816,978
Income taxes	9,746,694	9,099,321	-	-	9,746,694	9,099,321
Hotel/motel taxes	60,272	63,646	-	-	60,272	63,646
Unrestricted grants and entitlements	459,212	617,236	-	-	459,212	617,236
Investment earnings	256,737	245,443	9,771	3,332	266,508	248,775
Miscellaneous	340,335	309,408	61,460	21,144	401,795	330,552
Total general revenues	<u>11,705,809</u>	<u>11,152,032</u>	<u>71,231</u>	<u>24,476</u>	<u>11,777,040</u>	<u>11,176,508</u>
Total revenues	<u>15,661,193</u>	<u>14,279,489</u>	<u>15,575,744</u>	<u>16,281,029</u>	<u>31,236,937</u>	<u>30,560,518</u>
Expenses:						
General government	3,878,916	3,039,324	-	-	3,878,916	3,039,324
Security of persons and property	6,984,846	6,520,896	-	-	6,984,846	6,520,896
Public health and welfare	4,897	20,925	-	-	4,897	20,925
Transportation	1,209,344	1,818,726	-	-	1,209,344	1,818,726
Community environment	725,328	421,302	-	-	725,328	421,302
Leisure time activity	1,809,721	2,109,275	-	-	1,809,721	2,109,275
Economic development	60,436	143,678	-	-	60,436	143,678
Interest and fiscal charges	58,189	68,586	-	-	58,189	68,586
Water	-	-	6,776,692	6,736,576	6,776,692	6,736,576
Sewer	-	-	6,420,495	4,827,417	6,420,495	4,827,417
Total expenses	<u>14,731,677</u>	<u>14,142,712</u>	<u>13,197,187</u>	<u>11,563,993</u>	<u>27,928,864</u>	<u>25,706,705</u>
Increase in net position before transfers	929,516	136,777	2,378,557	4,717,036	3,308,073	4,853,813
Transfers	<u>(91,409)</u>	<u>(376,864)</u>	<u>91,409</u>	<u>376,864</u>	<u>-</u>	<u>-</u>
Change in net position	838,107	(240,087)	2,469,966	5,093,900	3,308,073	4,853,813
Net position at beginning 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>
Net position at end of year	<u>\$ 22,880,469</u>	<u>\$ 22,042,362</u>	<u>\$ 79,367,602</u>	<u>\$ 76,897,636</u>	<u>\$ 102,248,071</u>	<u>\$ 98,939,998</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Governmental Activities

Governmental activities net position increased \$838,107 in 2016. This increase is a result of an increase in income tax collections resulting primarily from changes in the timing of remitting employer withholdings under Ohio House Bill 5. The increase can also be attributed to an increase in operating grants and contributions, as a result of the timing of CDBG and Community Housing grant draw downs and being awarded a larger amount of the Probation Incentive Grant exceeding on increase in expenses.

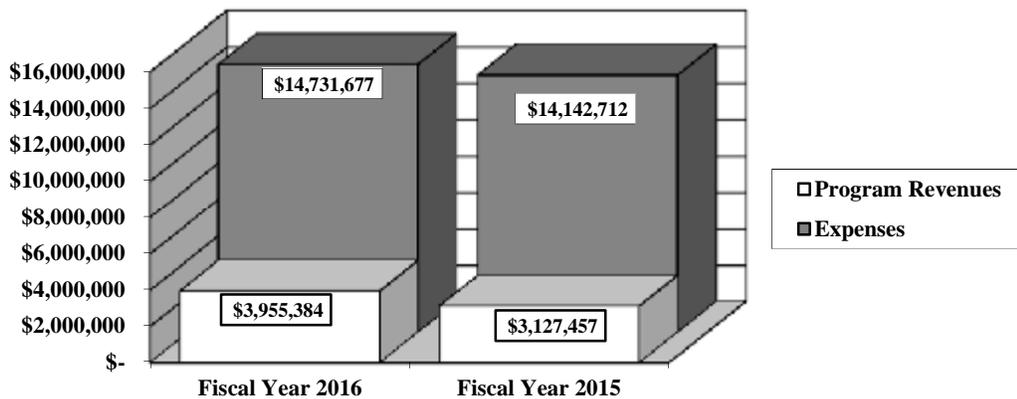
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$6,984,846 of the total expenses of the City. These expenses were partially funded by \$41,194 in direct charges to users of the services. General government expenses totaled \$3,878,916. General government expenses were partially funded by \$484,867 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$2,816,330 in operating grants and contributions and \$107,530 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, \$852,962 subsidized transportation programs, \$771,739 subsidized community environment, and \$970,784 subsidized general government activities.

General revenues totaled \$11,705,809, and amounted to 74.74% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$10,589,253. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue making up \$459,212. Unrestricted grants decreased due to lower local government revenues in 2016.

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

Governmental Activities – Program Revenues vs. Total Expense



**CITY OF FREMONT
SANDUSKY COUNTY**

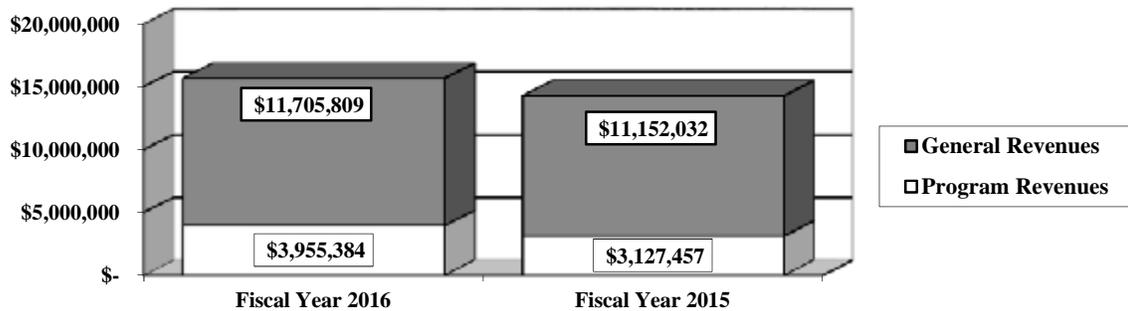
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program Expenses:				
General government	\$ 3,878,916	\$ 2,423,265	\$ 3,039,324	\$ 1,826,443
Security of persons and property	6,984,846	6,734,535	6,520,896	6,362,223
Public health and welfare	4,897	4,897	20,925	20,925
Transportation	1,209,344	247,352	1,818,726	811,978
Community environment	725,328	(64,368)	421,302	128,060
Leisure time activity	1,809,721	1,316,500	2,109,275	1,660,455
Economic development	60,436	55,923	143,678	136,585
Interest and fiscal charges	58,189	58,189	68,586	68,586
Total	\$ 14,731,677	\$ 10,776,293	\$ 14,142,712	\$ 11,015,255

The dependence upon general revenues for governmental activities is apparent, with 73.15% of expenses supported through taxes and other general revenues.

Governmental Activities – General and Program Revenues



**CITY OF FREMONT
SANDUSKY COUNTY**

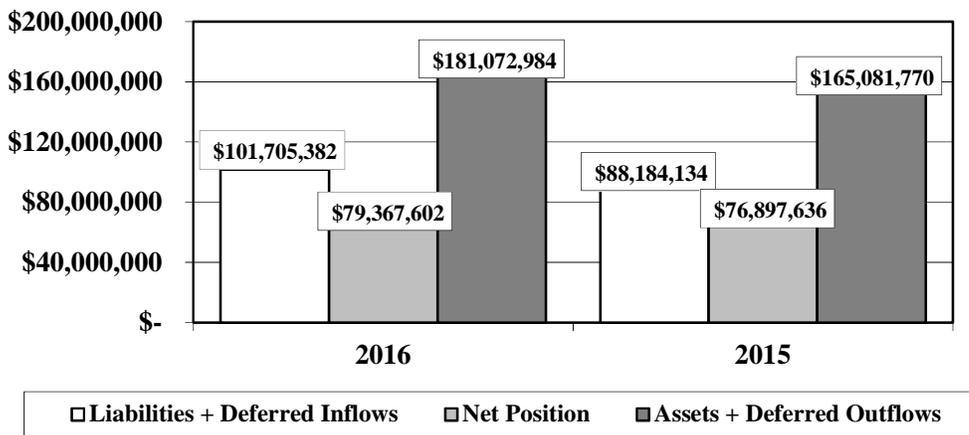
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Business-type Activities

Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$15,504,513, general revenues of \$71,231, transfers in of \$91,409 and expenses of \$13,197,187 for 2016. The decrease in program revenues can mainly be attributed to a decrease in a EPA grant that was received in 2015, but not in 2016.

The graph below illustrates the City's business-type assets, liabilities, deferred outflows, deferred inflows, and net position at December 31, 2016 and December 31, 2015.

Net Position in Business – Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 22) reported a combined fund balance of \$13,707,825 which is \$2,384,560 more than last year's total of \$11,323,265. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2016 for all major and nonmajor governmental funds.

	Fund Balances 12/31/16	Fund Balances 12/31/15	Change
Major funds:			
General	\$ 7,789,826	\$ 6,039,699	\$ 1,750,127
Other nonmajor governmental funds	5,917,999	5,283,566	634,433
Total	\$ 13,707,825	\$ 11,323,265	\$ 2,384,560

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

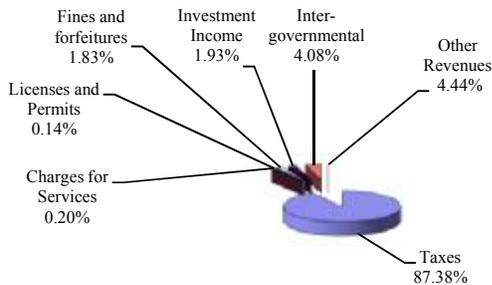
General Fund

The City's general fund balance increased \$1,750,127. The table that follows assists in illustrating the revenues of the general fund.

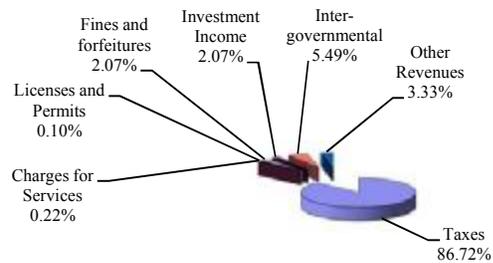
	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 11,113,554	\$ 9,833,882	13.01 %
Charges for services	25,597	25,357	0.95 %
Licenses and permits	17,175	11,600	48.06 %
Fines and forfeitures	232,089	235,186	(1.32) %
Intergovernmental	518,689	622,956	(16.74) %
Investment income	245,338	234,897	4.44 %
Other	<u>564,714</u>	<u>377,906</u>	49.43 %
Total	<u>\$ 12,717,156</u>	<u>\$ 11,341,784</u>	12.13 %

Tax revenue represents 87.38% of all general fund revenue. Income tax revenue increased in 2016 due to an increase in income tax collections resulting primarily from changes in the timing of remitting employer withholdings under Ohio House Bill 5. Intergovernmental revenues decreased 16.74% due to a decrease in local government revenue in 2016. Investment income increased due to an increase in investments. Other revenue increased 49.43% due to an increase in contributions and donations. All other revenue remained comparable to 2015.

Revenues – Fiscal Year 2016



Revenues – Fiscal Year 2015



**CITY OF FREMONT
SANDUSKY COUNTY**

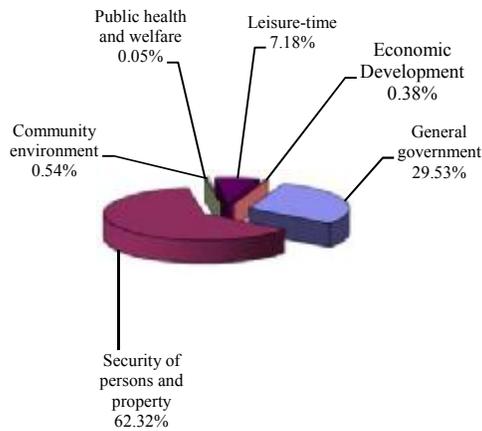
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

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

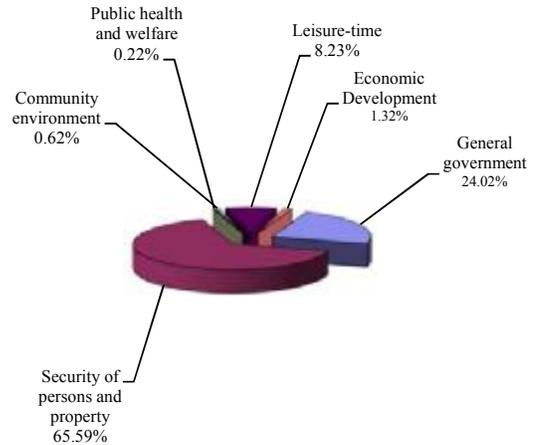
	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,803,763	\$ 2,239,357	25.20 %
Security of persons and property	5,914,815	6,115,804	(3.29) %
Public health and welfare	4,897	20,925	(76.60) %
Community environment	51,737	58,118	(10.98) %
Leisure time activity	681,665	767,348	(11.17) %
Economic development	36,196	123,097	(70.60) %
Total	<u>\$ 9,493,073</u>	<u>\$ 9,324,649</u>	1.81 %

The most significant decrease in dollars in general fund expenditures was in security of persons and property. This line item decreased \$200,989 in 2016. This was primarily due to decrease in public safety expenditures, including wages. Leisure-time activities expenditures decreased \$85,683 in 2016. This is primarily due to a decrease in contract expenditures and wages in 2015.

Expenditures - 2016



Expenditures - 2015



Budgeting Highlights

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

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Budgetary information is presented for the general fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures and other financing uses, which increased \$284,807 from \$9,670,367 to \$9,955,174. Actual revenues and other financing sources of \$9,358,258 were more than final budgeted revenues and other financing sources by \$15,054. 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 \$933,528 lower than the final budgeted amounts, primarily due to expenditures for general government and security of persons and property being less than budgeted.

Proprietary Funds

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

The City's business-type funds (as presented on the statement of net position on page 28) reported a combined net position of \$79,367,602, which is \$2,471,063 more than last year's total of \$76,897,636.

Capital Assets and Debt Administration

Capital Assets

At the end of 2016, the City had \$170,211,799 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress (CIP). Of this total, \$19,900,871 was reported in governmental activities and \$150,310,928 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2016 balances compared to 2015:

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

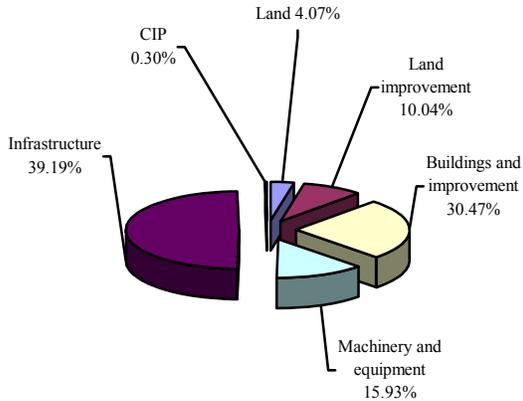
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 809,559	\$ 809,559	\$ 903,988	\$ 903,988	\$ 1,713,547	\$ 1,713,547
Land improvements	1,998,761	2,192,880	35,687,370	36,491,189	37,686,131	38,684,069
Buildings and improvements	6,063,216	6,421,995	19,763,656	20,739,223	25,826,872	27,161,218
Machinery and equipment	3,170,442	3,207,762	1,433,734	1,597,772	4,604,176	4,805,534
Infrastructure	7,799,248	7,600,550	17,729,813	17,795,396	25,529,061	25,395,946
Construction in progress	<u>59,645</u>	<u>280,843</u>	<u>74,792,367</u>	<u>58,387,581</u>	<u>74,852,012</u>	<u>58,668,424</u>
Totals	<u>\$ 19,900,871</u>	<u>\$ 20,513,589</u>	<u>\$ 150,310,928</u>	<u>\$ 135,915,149</u>	<u>\$ 170,211,799</u>	<u>\$ 156,428,738</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

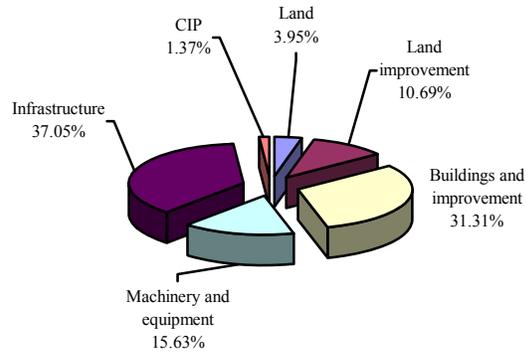
**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)**

The following graphs show the breakdown of governmental capital assets by category for 2016 and 2015.

Capital Assets - Governmental Activities 2016



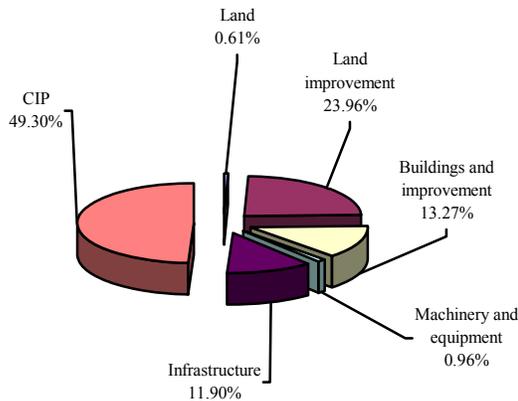
Capital Assets - Governmental Activities 2015



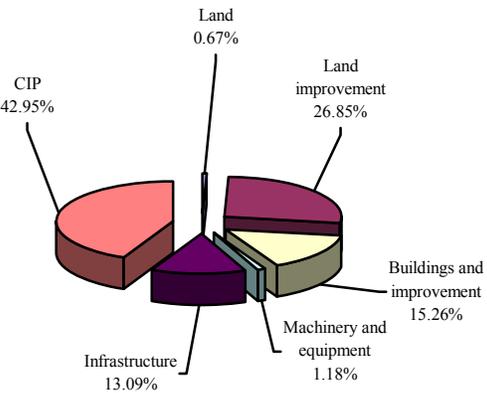
In governmental type activities, the City’s largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City’s infrastructure (cost less accumulated depreciation) represents approximately 39.19% of the City’s total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2016 and 2015.

Capital Assets - Business-Type Activities 2016



Capital Assets - Business-Type Activities 2015



In business type activities, the largest capital assets category is construction in progress, which includes mainly the OEPA long term plan. The net book value of the City’s construction in progress represents approximately 49.30% of the City’s total capital type assets.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

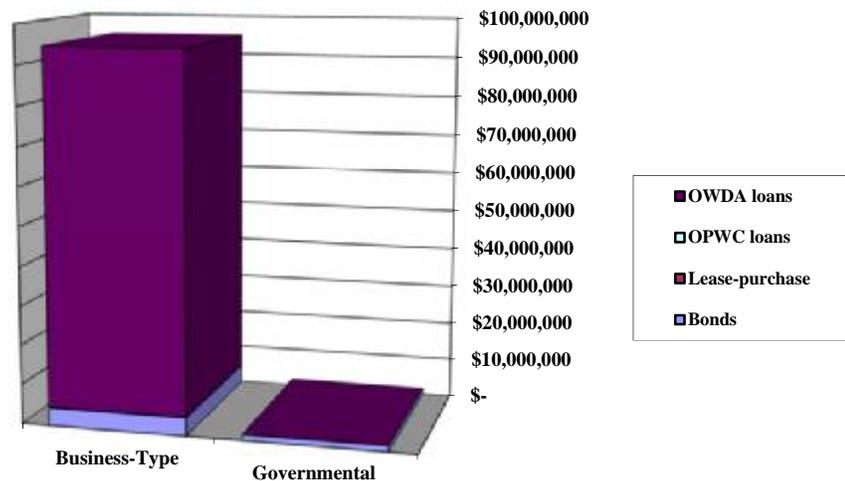
Debt Administration

See Note 12 for further discussion of the City's long-term debt obligations. The City had the following long-term debt obligations outstanding at December 31, 2016 and 2015:

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 1,510,000	\$ 1,885,000
Total long-term obligations	<u>\$ 1,510,000</u>	<u>\$ 1,885,000</u>
	Business-type Activities	
	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 4,575,000	\$ 5,130,000
Lease-purchase agreement	67,905	89,217
OPWC loans	127,246	146,470
OWDA loans	<u>90,122,987</u>	<u>75,869,854</u>
Total long-term obligations	<u>\$ 94,893,138</u>	<u>\$ 81,235,541</u>

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

Long-term obligations



**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
(UNAUDITED)

Economic Conditions and Outlook

Fremont and Sandusky County continued to experience increased growth in 2016, winning Site Selection magazine's honor of being one of the nation's Top 100 Micropolitan. This places the area in the upper echelon of similar size communities for new business investment.

Fremont is the home of one of the top agricultural cooperatives in Ohio, Sunrise Cooperative, Inc., and during 2016 Sunrise Cooperative merged with Trupointe Cooperative. All corporate support is conducted jointly from offices in Piqua and Fremont, Ohio and the leadership of Sunrise Cooperative Inc. will remain housed at their Fremont location.

Terra State Community College announced in early 2016 they were moving forward with a housing and retail project called "Terra Village" which would include student "townhouse style" housing and retail shops. The estimated capital investment is \$14 million and the project is estimated to be complete by the Fall Semester of 2018.

The healthcare sector remains strong in Fremont and two large projects were started in 2016. NOMS Healthcare purchased property to add a 23,000 square foot expansion to a current medical facility with an estimated capital investment of \$5.5 million. Another project started in 2016 was Trilogy Health Services' new Valley View Healthcare Center. This new facility's services include short-term rehab, longer-term care, skilled nursing services, traditional care, respite care, adult day services and rehabilitation. The 55,000 square foot new facility is a capital investment of \$13.5 million in Fremont.

Manufacturing has always had a strong presence in Fremont and Sandusky County. During 2016 there were five major capital investment projects by Fremont manufactures:

- New utility service upgrades and construction of a new sub-station by Crown Battery Mfg., Inc. with an estimated capital investment of \$5 million.
- The Freeman Company making a capital investment of \$5 million in new equipment and building improvements.
- Kraft-Heinz began upgrading its waste water pre-treatment facility with an estimated capital investment of \$12.3 million.
- Total Distribution Inc. acquired five Fremont logistic facilities an estimated cost of \$20 million.

Unfortunately, Fremont lost its Super Kmart store in 2016 when Sears Holding Corp. announced it was closing seventy-eight Kmart/Sears stores. However, good news in Fremont's retail sector included the move by Big Lots into their new location in the Applewood Village Shopping Center on Fremont's eastside. Their new location is approximately 29,000 square feet. Also, during 2016 the planning for The Kroger Marketplace and their new 124,000 square foot store on the City's westside continued to progress.

It continues to be an exciting time in downtown Fremont with the continued revitalization of several buildings in historic downtown. A new restaurant, The Garrison, opened in 2016 and offers an American Bistro style menu and twenty craft beers on tap. Work also began on an Italian-themed restaurant and deli to be located on Front Street in downtown.

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 Grah, City Auditor, City of Fremont, 323 South Front Street, Fremont, Ohio 43420.

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 11,636,599	\$ 26,122,162	\$ 37,758,761
Receivables (net of allowances for uncollectibles):			
Income taxes	2,951,569	-	2,951,569
Property and other local taxes	857,519	-	857,519
Accounts	28,351	2,438,874	2,467,225
Loans	284,998	-	284,998
Accrued interest	76,201	-	76,201
Due from other governments	589,928	39,208	629,136
Materials and supplies inventory	136,774	465,750	602,524
Prepayments	104,683	53,163	157,846
Internal balance	680	(680)	-
Net pension asset	5,588	6,610	12,198
Restricted assets:			
Equity in pooled cash and investments	-	90,845	90,845
Capital assets:			
Nondepreciable capital assets	869,204	75,696,355	76,565,559
Depreciable capital assets, net	19,031,667	74,614,573	93,646,240
Total capital assets, net	<u>19,900,871</u>	<u>150,310,928</u>	<u>170,211,799</u>
Total assets	<u>36,573,761</u>	<u>179,526,860</u>	<u>216,100,621</u>
Deferred outflows of resources:			
Unamortized deferred charges on debt refunding	35,698	-	35,698
Pension - OPERS	1,307,252	1,546,124	2,853,376
Pension - OP&F	2,496,351	-	2,496,351
Total deferred outflows of resources	<u>3,839,301</u>	<u>1,546,124</u>	<u>5,385,425</u>
Liabilities:			
Accounts payable	166,900	473,804	640,704
Contracts payable	-	1,368,450	1,368,450
Accrued wages and benefits	116,551	54,663	171,214
Due to other governments	441	-	441
Pension and postemployment benefits payable	103,114	41,658	144,772
Due to claimants	14,331	-	14,331
Accrued interest payable	11,443	5,094	16,537
Payable from restricted assets:			
Refundable deposits	-	90,845	90,845
Long-term liabilities:			
Due within one year	498,713	1,682,770	2,181,483
Due in more than one year:			
Net pension liability	13,973,357	4,007,771	17,981,128
Other amounts due in more than one year	1,759,315	93,890,048	95,649,363
Total liabilities	<u>16,644,165</u>	<u>101,615,103</u>	<u>118,259,268</u>
Deferred inflows of resources:			
Property taxes levied for the next year	782,375	-	782,375
Pension - OPERS	76,332	90,279	166,611
Pension - OP&F	29,721	-	29,721
Total deferred inflows of resources	<u>888,428</u>	<u>90,279</u>	<u>978,707</u>
Net position:			
Net investment in capital assets	18,922,251	53,780,473	72,702,724
Restricted for:			
Debt service	578,464	-	578,464
Transportation projects	697,387	-	697,387
Court projects	371,317	-	371,317
Revolving loans	377,989	-	377,989
R.L. Walsh Trust	734,271	-	734,271
Other purposes	894,397	-	894,397
Unrestricted	<u>304,393</u>	<u>25,587,129</u>	<u>25,891,522</u>
Total net position	<u>\$ 22,880,469</u>	<u>\$ 79,367,602</u>	<u>\$ 102,248,071</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<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	\$ 3,878,916	\$ 484,867	\$ 970,784	\$ -
Security of persons and property	6,984,846	41,194	209,117	-
Public health and welfare	4,897	-	-	-
Transportation	1,209,344	1,500	852,962	107,530
Community environment	725,328	17,957	771,739	-
Leisure time activity	1,809,721	486,006	7,215	-
Economic development	60,436	-	4,513	-
Interest and fiscal charges	58,189	-	-	-
Total governmental activities	<u>14,731,677</u>	<u>1,031,524</u>	<u>2,816,330</u>	<u>107,530</u>
Business-type activities:				
Water	6,776,692	7,368,560	-	-
Sewer	6,420,495	8,135,953	-	-
Total business-type activities	<u>13,197,187</u>	<u>15,504,513</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 27,928,864</u>	<u>\$ 16,536,037</u>	<u>\$ 2,816,330</u>	<u>\$ 107,530</u>

General revenues:

Income taxes levied for:

 General purposes

Property taxes levied for:

 General purposes

 Hotel/motel taxes

 Grants and entitlements not restricted to specific programs

 Investment earnings

 Miscellaneous

Total general revenues

Transfers

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (2,423,265)	\$ -	\$ (2,423,265)
(6,734,535)	-	(6,734,535)
(4,897)	-	(4,897)
(247,352)	-	(247,352)
64,368	-	64,368
(1,316,500)	-	(1,316,500)
(55,923)	-	(55,923)
(58,189)	-	(58,189)
<u>(10,776,293)</u>	<u>-</u>	<u>(10,776,293)</u>
-	591,868	591,868
-	1,715,458	1,715,458
<u>-</u>	<u>2,307,326</u>	<u>2,307,326</u>
<u>(10,776,293)</u>	<u>2,307,326</u>	<u>(8,468,967)</u>
9,746,694	-	9,746,694
842,559	-	842,559
60,272	-	60,272
459,212	-	459,212
256,737	9,771	266,508
340,335	61,460	401,795
<u>11,705,809</u>	<u>71,231</u>	<u>11,777,040</u>
<u>(91,409)</u>	<u>91,409</u>	<u>-</u>
838,107	2,469,966	3,308,073
<u>22,042,362</u>	<u>76,897,636</u>	<u>98,939,998</u>
<u>\$ 22,880,469</u>	<u>\$ 79,367,602</u>	<u>\$ 102,248,071</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 6,150,421	\$ 5,467,519	\$ 11,617,940
Receivables (net of allowance for uncollectibles):			
Income taxes	2,951,569	-	2,951,569
Property and other local taxes	857,519	-	857,519
Accounts	23,782	4,569	28,351
Accrued interest	76,201	-	76,201
Loans	-	284,998	284,998
Due from other funds	3,610	-	3,610
Due from other governments	217,367	372,561	589,928
Materials and supplies inventory	-	136,774	136,774
Prepayments	88,362	15,453	103,815
Total assets	<u>\$ 10,368,831</u>	<u>\$ 6,281,874</u>	<u>\$ 16,650,705</u>
Liabilities:			
Accounts payable	\$ 74,195	\$ 92,409	\$ 166,604
Accrued wages and benefits payable	99,232	16,474	115,706
Due to other governments	10	431	441
Compensated absences payable	67,691	-	67,691
Due to other funds	-	3,610	3,610
Pension and postemployment benefits payable	90,949	11,515	102,464
Due to claimants	14,331	-	14,331
Total liabilities	<u>346,408</u>	<u>124,439</u>	<u>470,847</u>
Deferred inflows of resources:			
Property taxes levied for the next year	782,375	-	782,375
Delinquent property tax revenue not available	75,144	-	75,144
Accrued interest not available	35,896	-	35,896
Income tax revenue not available	1,184,133	-	1,184,133
Intergovernmental revenue not available	155,049	239,436	394,485
Total deferred inflows of resources	<u>2,232,597</u>	<u>239,436</u>	<u>2,472,033</u>
Fund balances:			
Nonspendable	88,362	152,227	240,589
Restricted	-	3,745,669	3,745,669
Committed	4,759,143	1,828,679	6,587,822
Assigned	414,830	196,309	611,139
Unassigned (deficit)	2,527,491	(4,885)	2,522,606
Total fund balances	<u>7,789,826</u>	<u>5,917,999</u>	<u>13,707,825</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,368,831</u>	<u>\$ 6,281,874</u>	<u>\$ 16,650,705</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, 2016

Total governmental fund balances		\$ 13,707,825
<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.		19,900,871
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 1,184,133	
Delinquent property taxes receivable	75,144	
Due from other governments	394,485	
Accrued interest receivable	35,896	
Total		1,689,658
An internal service fund is 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 fund are included in governmental activities on the statement of net position. This amount includes \$109 in net pension asset, \$25,484 in deferred outflows of resources, \$1,488 in deferred inflows of resources and \$66,056 in net pension liability.		(24,215)
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.		680
In the statement of net position interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.		(11,443)
Unamortized premiums on bond issuances are not recognized in the funds.		(26,802)
Unamortized deferred amounts on refundings are not recognized in the governmental funds.		35,698
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	5,479	
Deferred outflows of resources	3,778,119	
Deferred inflows of resources	(104,565)	
Net pension liability	(13,907,301)	
Total		(10,228,268)
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	(1,510,000)	
Compensated absences	(653,535)	
Total		(2,163,535)
Net position of governmental activities		\$ 22,880,469

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, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Income taxes	\$ 10,270,787	\$ -	\$ 10,270,787
Property and other local taxes	842,767	-	842,767
Charges for services	25,597	473,219	498,816
Licenses, permits and fees	17,175	-	17,175
Fines and forfeitures	232,089	152,049	384,138
Intergovernmental	518,689	2,716,483	3,235,172
Investment income	245,338	2,922	248,260
Contributions and donations	167,315	2,000	169,315
Other	397,399	100,661	498,060
Total revenues	<u>12,717,156</u>	<u>3,447,334</u>	<u>16,164,490</u>
Expenditures:			
Current:			
General government	2,803,763	713,893	3,517,656
Security of persons and property	5,914,815	62,457	5,977,272
Public health and welfare	4,897	-	4,897
Transportation	-	1,003,450	1,003,450
Community environment	51,737	673,899	725,636
Leisure time activity	681,665	821,645	1,503,310
Economic development and assistance	36,196	2,750	38,946
Capital outlay	-	576,083	576,083
Debt service:			
Principal retirement	-	375,000	375,000
Interest and fiscal charges	-	57,680	57,680
Total expenditures	<u>9,493,073</u>	<u>4,286,857</u>	<u>13,779,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,224,083</u>	<u>(839,523)</u>	<u>2,384,560</u>
Other financing sources (uses):			
Transfers in	-	1,473,956	1,473,956
Transfers out	<u>(1,473,956)</u>	<u>-</u>	<u>(1,473,956)</u>
Total other financing sources (uses)	<u>(1,473,956)</u>	<u>1,473,956</u>	<u>-</u>
Net change in fund balances	1,750,127	634,433	2,384,560
Fund balances at beginning of year	<u>6,039,699</u>	<u>5,283,566</u>	<u>11,323,265</u>
Fund balances at end of year	<u>\$ 7,789,826</u>	<u>\$ 5,917,999</u>	<u>\$ 13,707,825</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, 2016

Net change in fund balances - total governmental funds	\$	2,384,560
<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	\$ 1,026,844	
Current year depreciation	<u>(1,639,026)</u>	
Total		(612,182)
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.		
		(536)
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	(208)	
Intergovernmental revenue	9,605	
Income tax revenue	(524,093)	
Investment income	<u>11,399</u>	
Total		(503,297)
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.		
		375,000
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	3,444	
Amortization of deferred amounts on refunding	(13,386)	
Amortization of bond premiums	<u>9,433</u>	
Total		(509)
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.		
		46,829
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		996,215
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,846,222)
An internal service fund is used by management to charge the costs of internal equipment service and employee benefits to individual funds are not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance of (\$680), is allocated among the governmental activities.		
		<u>(1,751)</u>
Change in net position of governmental activities	\$	<u>838,107</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other local taxes	\$ 936,466	\$ 848,500	\$ 845,802	\$ (2,698)
Charges for services.	28,530	28,530	25,597	(2,933)
Licenses, permits and fees	8,700	8,700	17,175	8,475
Fines and forfeitures	218,000	236,000	234,264	(1,736)
Intergovernmental.	492,474	529,474	521,547	(7,927)
Investment income.	285,000	285,000	287,560	2,560
Contributions and donations.	150,000	150,000	160,100	10,100
Other	39,361	152,000	163,464	11,464
Total revenues	<u>2,158,531</u>	<u>2,238,204</u>	<u>2,255,509</u>	<u>17,305</u>
Expenditures:				
Current:				
General government	2,237,341	2,293,280	2,048,637	244,643
Security of persons and property	6,294,542	6,502,963	6,018,472	484,491
Public health and welfare.	27,405	27,405	4,897	22,508
Community environment	64,105	72,946	54,217	18,729
Leisure time activity	820,103	831,709	695,688	136,021
Economic development and assistance	67,915	67,915	40,779	27,136
Total expenditures	<u>9,511,411</u>	<u>9,796,218</u>	<u>8,862,690</u>	<u>933,528</u>
Excess of expenditures over revenues	<u>(7,352,880)</u>	<u>(7,558,014)</u>	<u>(6,607,181)</u>	<u>950,833</u>
Other financing sources (uses):				
Sale of capital assets.	5,000	5,000	2,749	(2,251)
Transfers in	7,100,000	7,100,000	7,100,000	-
Transfers out	(158,956)	(158,956)	(158,956)	-
Total other financing sources	<u>6,946,044</u>	<u>6,946,044</u>	<u>6,943,793</u>	<u>(2,251)</u>
Net change in fund balances	(406,836)	(611,970)	336,612	948,582
Fund balances at beginning of year	2,602,171	2,602,171	2,602,171	-
Prior year encumbrances appropriated	168,192	168,192	168,192	-
Fund balance at end of year	<u>\$ 2,363,527</u>	<u>\$ 2,158,393</u>	<u>\$ 3,106,975</u>	<u>\$ 948,582</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, 2016

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 4,604,846	\$ 21,517,316	\$ 26,122,162	\$ 18,659
Receivables (net of allowance for uncollectibles):				
Accounts	1,255,635	1,183,239	2,438,874	-
Due from other governments	-	39,208	39,208	-
Materials and supplies inventory	420,412	45,338	465,750	-
Prepayments	24,419	28,744	53,163	868
Total current assets	<u>6,305,312</u>	<u>22,813,845</u>	<u>29,119,157</u>	<u>19,527</u>
Noncurrent assets:				
Net pension asset	3,057	3,553	6,610	109
Restricted assets:				
Equity in pooled cash and investments	90,845	-	90,845	-
Capital assets:				
Nondepreciable capital assets	2,622,563	73,073,792	75,696,355	-
Depreciable capital assets, net	67,907,412	6,707,161	74,614,573	-
Total capital assets, net	<u>70,529,975</u>	<u>79,780,953</u>	<u>150,310,928</u>	<u>-</u>
Total noncurrent assets	<u>70,623,877</u>	<u>79,784,506</u>	<u>150,408,383</u>	<u>109</u>
Total assets	<u>76,929,189</u>	<u>102,598,351</u>	<u>179,527,540</u>	<u>19,636</u>
Deferred outflows of resources:				
Pension - OPERS	715,029	831,095	1,546,124	25,484
Total deferred outflows of resources	<u>715,029</u>	<u>831,095</u>	<u>1,546,124</u>	<u>25,484</u>
Liabilities:				
Current liabilities:				
Accounts payable	431,791	42,013	473,804	296
Contracts payable	183,376	1,185,074	1,368,450	-
Accrued wages and benefits payable	25,739	28,924	54,663	845
Pension and postemployment benefits payable	19,546	22,112	41,658	650
Accrued interest payable	5,094	-	5,094	-
Current portion of compensated absences	9,317	22,316	31,633	-
Current portion of general obligation bonds payable	300,000	-	300,000	-
OWDA loans payable	1,172,017	137,935	1,309,952	-
Current portion of OPWC loans payable	-	19,225	19,225	-
Current portion of lease obligations	10,980	10,980	21,960	-
Payable from restricted assets:				
Refundable deposits	90,845	-	90,845	-
Total current liabilities	<u>2,248,705</u>	<u>1,468,579</u>	<u>3,717,284</u>	<u>1,791</u>
Long-term liabilities:				
Compensated absences payable	171,101	208,079	379,180	-
General obligation bonds payable	4,543,867	-	4,543,867	-
OWDA loans payable	22,751,432	66,061,603	88,813,035	-
OPWC loans payable	-	108,021	108,021	-
Lease obligations payable	22,972	22,973	45,945	-
Net pension liability	1,853,456	2,154,315	4,007,771	66,056
Total long-term liabilities	<u>29,342,828</u>	<u>68,554,991</u>	<u>97,897,819</u>	<u>66,056</u>
Total liabilities	<u>31,591,533</u>	<u>70,023,570</u>	<u>101,615,103</u>	<u>67,847</u>
Deferred inflows of resources:				
Pension - OPERS	41,751	48,528	90,279	1,488
Total deferred inflows of resources	<u>41,751</u>	<u>48,528</u>	<u>90,279</u>	<u>1,488</u>
Net position:				
Net investment in capital assets	41,545,331	12,235,142	53,780,473	-
Unrestricted (deficit)	4,465,603	21,122,206	25,587,809	(24,215)
Total net position (deficit)	<u>\$ 46,010,934</u>	<u>\$ 33,357,348</u>	<u>79,368,282</u>	<u>\$ (24,215)</u>
Adjustment to reflect the consolidation of the internal service fund's activity related to enterprise funds			(680)	
Net position of business-type activities			<u>\$ 79,367,602</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, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Operating revenues:				
Charges for services	\$ 7,368,560	\$ 8,135,953	\$ 15,504,513	\$ 82,467
Other	45,661	15,799	61,460	64
Total operating revenues	<u>7,414,221</u>	<u>8,151,752</u>	<u>15,565,973</u>	<u>82,531</u>
Operating expenses:				
Personal services	2,142,621	2,465,078	4,607,699	68,956
Contract services	502,696	747,994	1,250,690	3,669
Materials and supplies	699,826	436,297	1,136,123	4,007
Utilities expense	419,258	565,560	984,818	7,253
Depreciation	2,175,988	404,926	2,580,914	-
Other	87,356	68,079	155,435	1,494
Total operating expenses	<u>6,027,745</u>	<u>4,687,934</u>	<u>10,715,679</u>	<u>85,379</u>
Operating income (loss)	<u>1,386,476</u>	<u>3,463,818</u>	<u>4,850,294</u>	<u>(2,848)</u>
Nonoperating revenues (expenses):				
Interest revenue	5,712	4,059	9,771	-
Interest and fiscal charges	(743,768)	(1,535,291)	(2,279,059)	-
Loss on disposal of capital assets	(4,392)	(196,960)	(201,352)	-
Total nonoperating revenues (expenses)	<u>(742,448)</u>	<u>(1,728,192)</u>	<u>(2,470,640)</u>	<u>-</u>
Income (loss) before contributions	644,028	1,735,626	2,379,654	(2,848)
Capital contributions	91,409	-	91,409	-
Change in net position	735,437	1,735,626	2,471,063	(2,848)
Net position (deficit) at beginning of year	<u>45,275,497</u>	<u>31,621,722</u>		<u>(21,367)</u>
Net position (deficit) at end of year	<u>\$ 46,010,934</u>	<u>\$ 33,357,348</u>		<u>\$ (24,215)</u>
Adjustment to reflect the consolidation of the internal service fund's activity related to enterprise funds			<u>(1,097)</u>	
Change in net position of business-type activities.			<u>\$ 2,469,966</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, 2016

	<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	\$ 7,314,282	\$ 8,056,712	\$ 15,370,994	\$ 82,467
Cash received from other operations	73,686	15,799	89,485	64
Cash payments for personal services	(1,967,894)	(2,308,775)	(4,276,669)	(65,627)
Cash payments for contractual services	(122,130)	(768,567)	(890,697)	(3,669)
Cash payments for materials and supplies	(810,076)	(450,515)	(1,260,591)	(4,007)
Cash payments for utilities expense	(424,191)	(575,312)	(999,503)	(7,669)
Cash payments for other expenses	(112,301)	(70,579)	(182,880)	(1,494)
Net cash provided by operating activities	<u>3,951,376</u>	<u>3,898,763</u>	<u>7,850,139</u>	<u>65</u>
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets	(1,769,376)	(17,213,323)	(18,982,699)	-
Cash received from the sale of capital assets	1,608	3,438	5,046	-
Cash payments for principal retirement	(1,773,995)	(804,918)	(2,578,913)	-
Cash payments for interest and fiscal charges	(772,636)	(1,535,291)	(2,307,927)	-
Cash received from OWDA loan issuance	25,501	16,211,009	16,236,510	-
Net cash used in capital and related financing activities	<u>(4,288,898)</u>	<u>(3,339,085)</u>	<u>(7,627,983)</u>	<u>-</u>
Cash flows from investing activities:				
Cash received from interest earned	-	4,059	4,059	-
Net cash provided by investing activities	<u>-</u>	<u>4,059</u>	<u>4,059</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(337,522)	563,737	226,215	65
Cash and cash equivalents at beginning of year	<u>5,033,213</u>	<u>20,953,579</u>	<u>25,986,792</u>	<u>18,594</u>
Cash and cash equivalents at end of year	<u>\$ 4,695,691</u>	<u>\$ 21,517,316</u>	<u>\$ 26,213,007</u>	<u>\$ 18,659</u>

- - Continued

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 1,386,476	\$ 3,463,818	\$ 4,850,294	\$ (2,848)
Adjustments:				
Depreciation	2,175,988	404,926	2,580,914	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Accounts receivable	(54,278)	(79,772)	(134,050)	-
Intergovernmental receivable	-	531	531	-
Materials and supplies inventory	(107,933)	(13,815)	(121,748)	-
Net pension asset	(961)	(1,037)	(1,998)	(30)
Prepayments	(24,419)	(28,744)	(53,163)	(868)
Deferred outflows - OPERS	(494,033)	(565,856)	(1,059,889)	(17,166)
Accounts payable	374,052	(31,821)	342,231	(422)
Accrued wages and benefits	(6,875)	(10,293)	(17,168)	(314)
Compensated absences payable	22,057	19,087	41,144	-
Intergovernmental payable	(873)	(873)	(1,746)	-
Pension and postemployment benefits payable	1,855	1,615	3,470	13
Refundable deposits liability	3,115	-	3,115	-
Net pension liability	657,111	718,462	1,375,573	21,027
Deferred inflows - OPERS	20,094	22,535	42,629	673
Net cash provided by operating activities	<u>\$ 3,951,376</u>	<u>\$ 3,898,763</u>	<u>\$ 7,850,139</u>	<u>\$ 65</u>

During 2016, the water fund received \$91,409 in capital contributions from governmental activities.
During 2016 and 2015, the water fund purchased \$183,376 and \$63,085, respectively, in capital assets on account.
During 2016 and 2015, the sewer fund purchased \$1,185,074 and \$3,196,672, 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, 2016

	Agency
Assets:	
Equity in pooled cash and investments	\$ 50,945
Cash in segregated accounts.	3,195
Receivables:	
Accounts	1,941
Total assets	\$ 56,081
Liabilities:	
Deposits held and due to others	\$ 56,081
Total liabilities	\$ 56,081

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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 licenses permits and fees.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, See Note 15 for deferred outflows of resources related the City's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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 and all other expenditures for all funds.

Estimated Resources - The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. On or about December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior estimates and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the first and final amended official certificate of estimated resources issued during 2016.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and within each department, the amount for personal services and all other expenditures. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. The amounts set forth in the financial statements represent the original and final appropriations approved by City Council during 2016.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Home Loan Banks (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, negotiable 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.

During 2016, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2016 was \$245,338, which includes \$207,045 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, 2016

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 2016.

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, 2016

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, 2016

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. The City Council has also assigned amounts to cover a gap between estimated resources and appropriations in the 2017 budget.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 are comprised of the following:

	Cash and <u>Cash Equivalents</u>
Customer deposits	\$ <u>90,845</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, 2016

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 2016, the water and sewer enterprise funds received \$91,409 in capital contributions from governmental activities.

S. Net Position

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

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

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 2016.

U. Pensions

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

V. Fair Value Measurements

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2016, the City has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the City, but added disclosures to the notes to the basic financial statements.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the City, but added disclosures to the notes to the basic financial statements.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

B. Deficit Fund Balances

Fund balances at December 31, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
CCA Grant	\$ 4,885

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

C. Compliance

Ohio Revised Code 5705.10(I) requires that monies paid into any fund be used only for the purposes for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund. For 2016, it was noted the City had a negative cash balance in the Water Replacement/Improvement fund in the amount of \$892,443. The City will continue to monitor the Water Replacement/Improvement fund's balance to reduce the deficit fund balance and make advances from the City's General fund if necessary.

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;

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
7. High grade commercial paper for a period not to exceed 180 days in an amount not to exceed forty percent of the City's interim monies available for investment; and,
8. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed forty percent of the City's interim monies available for investment.

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, 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 \$90,845 in restricted assets for refundable deposits from customers of the water fund. This amount is included in the "deposits with financial institutions" below.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash in Segregated Accounts

At year end, \$3,195 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, 2016, the carrying amount of all City deposits was \$12,020,351. At December 31, 2016, \$2,500,000 of the City’s bank balance of \$12,601,765 was covered by the Federal Deposit Insurance Corporation and \$10,101,765 was exposed to custodial credit risk as discussed below.

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, 2016, the City had the following investments and maturities:

Measurement/ Investment type	Measurement Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Amortized cost:						
STAR Ohio	\$ 5,712,871	\$ 5,712,871	\$ -	\$ -	\$ -	\$ -
Fair value:						
U.S. Government money market	46,530	46,530	-	-	-	-
Negotiable CD	6,406,201	496,283	1,741,454	994,285	1,173,992	2,000,187
FHLMC	8,432,301	-	-	-	1,497,795	6,934,506
FNMA	4,054,084	-	-	-	749,130	3,304,954
FHLB	1,228,213	-	-	-	-	1,228,213
Total	\$ 25,880,200	\$ 6,255,684	\$ 1,741,454	\$ 994,285	\$ 3,420,917	\$ 13,467,860

The weighted average maturity of investments is 2.12 years.

The City’s investments in federal agency securities, negotiable certificates of deposit, and U.S. government money market are valued using quoted market prices (Level 1 inputs).

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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2016, 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, 2016:

<u>Measurement/ Investment type</u>	<u>Measurement Vaule</u>	<u>% of Total</u>
Amortized cost:		
STAR Ohio	\$ 5,712,871	22.07
Fair value:		
U.S. Government money market	46,530	0.18
Negotiable CD	6,406,201	24.75
FHLMC	8,432,301	32.58
FNMA	4,054,084	15.67
FHLB	<u>1,228,213</u>	<u>4.75</u>
Total	<u>\$ 25,880,200</u>	<u>100.00</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of December 31, 2016:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 12,020,351
Investments	25,880,200
Cash in segregated accounts	3,195
Total	\$ 37,903,746
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 11,636,599
Business type activities	26,213,007
Agency funds	54,140
Total	\$ 37,903,746

NOTE 5 - INTERFUND TRANSFERS

- A.** Interfund transfers for the year ended December 31, 2016 consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	
Nonmajor governmental funds	\$ 1,473,956

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, 2016 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	\$ 3,610

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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, 2016 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 2016 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, 2016 was \$3.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2016 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 138,638,350
Commercial/industrial/mineral	96,817,010
<u>Public utility</u>	
Real	99,000
Personal	<u>31,047,380</u>
Total assessed value	<u>\$ 266,601,740</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 \$10,270,787 in 2016.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2016 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, 2016.

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	\$ 2,951,569	\$ -
Property and other local taxes	857,519	-
Accounts	28,351	2,438,874
Loans	284,998	-
Accrued interest	76,201	-
Due from other governments	<u>589,928</u>	<u>39,208</u>
Total	<u>\$ 4,788,566</u>	<u>\$ 2,478,082</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 2016, there were loans to five businesses with a total principal balance of \$284,998. \$32,643 is the amount due within one year and \$252,354 is due in more than one year.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/16</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 809,559	\$ -	\$ -	\$ 809,559
Construction-in-progress	280,843	172,239	(393,437)	59,645
<i>Total capital assets, not being depreciated</i>	<u>1,090,402</u>	<u>172,239</u>	<u>(393,437)</u>	<u>869,204</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,600,117	-	-	4,600,117
Buildings and improvements	12,707,100	-	-	12,707,100
Machinery and equipment	7,429,939	364,294	(153,441)	7,640,792
Infrastructure	18,601,610	883,748	-	19,485,358
<i>Total capital assets, being depreciated</i>	<u>43,338,766</u>	<u>1,248,042</u>	<u>(153,441)</u>	<u>44,433,367</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,407,237)	(194,119)	-	(2,601,356)
Buildings and improvements	(6,285,105)	(358,779)	-	(6,643,884)
Machinery and equipment	(4,222,177)	(401,078)	152,905	(4,470,350)
Infrastructure	(11,001,060)	(685,050)	-	(11,686,110)
<i>Total accumulated depreciation</i>	<u>(23,915,579)</u>	<u>(1,639,026)</u>	<u>152,905</u>	<u>(25,401,700)</u>
Total capital assets, being depreciated, net	<u>19,423,187</u>	<u>(390,984)</u>	<u>(536)</u>	<u>19,031,667</u>
Total capital assets, net	<u>\$ 20,513,589</u>	<u>\$ (218,745)</u>	<u>\$ (393,973)</u>	<u>\$ 19,900,871</u>

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

<u>Governmental activities:</u>	
General government	\$ 67,395
Security of persons and property	274,012
Transportation	831,473
Leisure time activities	444,719
Economic development	21,427
Total depreciation expense	<u>\$ 1,639,026</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 10 - CAPITAL ASSETS - (Continued)

<u>Business-type activities:</u>	<u>Balance</u> 12/31/15	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/16
<i>Capital assets, not being depreciated:</i>				
Land	\$ 903,988	\$ -	\$ -	\$ 903,988
Construction-in-progress	58,387,581	16,575,927	(171,141)	74,792,367
<i>Total capital assets, not being depreciated</i>	<u>59,291,569</u>	<u>16,575,927</u>	<u>(171,141)</u>	<u>75,696,355</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	38,901,675	-	(20,605)	38,881,070
Buildings and improvements	38,815,065	-	(1,524,418)	37,290,647
Machinery and equipment	7,862,687	309,078	(737,389)	7,434,376
Infrastructure	27,131,748	469,227	-	27,600,975
<i>Total capital assets, being depreciated</i>	<u>112,711,175</u>	<u>778,305</u>	<u>(2,282,412)</u>	<u>111,207,068</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,410,486)	(792,244)	9,030	(3,193,700)
Buildings and improvements	(18,075,842)	(920,778)	1,469,629	(17,526,991)
Machinery and equipment	(6,264,915)	(333,082)	597,355	(6,000,642)
Infrastructure	(9,336,352)	(534,810)	-	(9,871,162)
<i>Total accumulated depreciation</i>	<u>(36,087,595)</u>	<u>(2,580,914)</u>	<u>2,076,014</u>	<u>(36,592,495)</u>
Total capital assets, being depreciated, net	<u>76,623,580</u>	<u>(1,802,609)</u>	<u>(206,398)</u>	<u>74,614,573</u>
Total capital assets, net	<u>\$ 135,915,149</u>	<u>\$ 14,773,318</u>	<u>\$ (377,539)</u>	<u>\$ 150,310,928</u>

Construction in progress represents costs in and out of the water and sewer funds relating to the OEPA Long Term Plan, Haynes" waterline, Dickson waterline, Ice Control Structure, Walnut Street water tower painting and the sludge facility, as of December 31, 2016.

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

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

<u>Business-type activities:</u>	<u>Depreciation</u> <u>Expense</u>
Water fund	\$ 2,175,988
Sewer fund	404,926
Total depreciation expense	<u>\$ 2,580,914</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, 2016

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, 2016 was \$27,475, leaving a book value of \$82,425.

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, 2016:

Year Ending December 31,	Loader
2017	\$ 24,025
2018	24,025
2019	<u>24,026</u>
Total minimum lease payments	72,076
Less: amount representing interest	<u>(4,171)</u>
Present value of future minimum lease payments	<u>\$ 67,905</u>

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental activities

The City's governmental activities long-term obligations at December 31, 2016 were as follows:

	Balance	Increases	Decreases	Balance	Amount Due
<u>Governmental activities:</u>	<u>12/31/15</u>			<u>12/31/16</u>	<u>Within</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Community center	\$ 1,305,000	\$ -	\$ (315,000)	\$ 990,000	\$ 320,000
Police and fire pension	<u>580,000</u>	<u>-</u>	<u>(60,000)</u>	<u>520,000</u>	<u>60,000</u>
Total general obligation bonds	1,885,000	-	(375,000)	1,510,000	380,000
<u>Other long-term obligations:</u>					
Net pension liability	10,923,796	3,049,561	-	13,973,357	-
Compensated absences	<u>736,306</u>	<u>73,834</u>	<u>(88,914)</u>	<u>721,226</u>	<u>118,713</u>
Total	13,545,102	3,123,395	(463,914)	16,204,583	498,713
Unamortized premium on bonds	<u>36,235</u>	<u>-</u>	<u>(9,433)</u>	<u>26,802</u>	<u>-</u>
Total long-term obligations	<u>\$ 13,581,337</u>	<u>\$ 3,123,395</u>	<u>\$ (473,347)</u>	<u>\$ 16,231,385</u>	<u>\$ 498,713</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 is \$990,000; however, this amount is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding.

Police and fire pension bonds:

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

Compensated absences:

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

Net pension liability:

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-type activities

The City's business-type activities long-term obligations at December 31, 2016 were as follows:

<u>Business-type activities:</u>	Balance			Balance	Amount Due
	<u>12/31/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/16</u>	<u>Within</u>
					<u>One Year</u>
<u>General obligation bonds</u>					
Water refunding series 2012	\$ 5,130,000	\$ -	\$ (555,000)	\$ 4,575,000	\$ 300,000
Total	<u>5,130,000</u>	<u>-</u>	<u>(555,000)</u>	<u>4,575,000</u>	<u>300,000</u>
<u>OPWC loans</u>					
Sewer - series 2001	61,996	-	(10,332)	51,664	10,333
Sewer - series 2004	84,474	-	(8,892)	75,582	8,892
Total	<u>146,470</u>	<u>-</u>	<u>(19,224)</u>	<u>127,246</u>	<u>19,225</u>
<u>OWDA loans</u>					
Dam removal project	3,056,363	-	(133,100)	2,923,263	137,935
Water pollution control center expansion	47,707,204	16,211,009	(641,938)	63,276,275	-
Water reservoir phase 1	4,960,843	-	(239,971)	4,720,872	247,924
Water reservoir phase 2	1,440,223	-	(70,471)	1,369,752	-
Off stream raw water - supply phase 2A	704,822	25,501	-	730,323	-
Water reservoir phase 1 - supplement	18,000,399	-	(897,897)	17,102,502	924,093
Total	<u>75,869,854</u>	<u>16,236,510</u>	<u>(1,983,377)</u>	<u>90,122,987</u>	<u>1,309,952</u>
<u>Other long-term obligations</u>					
Net pension liability	2,632,198	1,375,573	-	4,007,771	-
Lease-purchase agreement	89,217	-	(21,312)	67,905	21,960
Compensated absences	369,669	71,542	(30,398)	410,813	31,633
Total long-term obligations	<u>\$ 84,237,408</u>	<u>\$ 17,683,625</u>	<u>\$ (2,609,311)</u>	<u>\$ 99,311,722</u>	<u>\$ 1,682,770</u>
				Add: Unamortized bond premium	268,867
					<u>\$ 99,580,589</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 is \$4,575,000. 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, 2016 is \$5,025,000, 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, 2016, 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 57.06 percent of net revenues and 27.24 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$31,143,905. Principal and interest paid for the current year were \$4,240,672, total net revenues were \$7,431,208 and total revenues were \$15,565,973.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 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
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
2020	-	-	-	2020	65,000	8,395	73,395
Total	<u>\$ 990,000</u>	<u>\$ 74,300</u>	<u>\$ 1,064,300</u>	2021	65,000	7,290	72,290
				2022 - 2024	205,000	11,205	216,205
				Total	<u>\$ 520,000</u>	<u>\$ 58,450</u>	<u>\$ 578,450</u>

Year Ending December 31,	General Obligation Bonds - Water Series 2012		
	Principal	Interest	Total
2017	\$ 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	635,000	48,300	683,300
2022 - 2024	1,780,000	67,800	1,847,800
Total	<u>\$ 4,575,000</u>	<u>\$ 457,700</u>	<u>\$ 5,032,700</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
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	8,892	-	8,892
2022	-	-	-	2022 - 2025	31,122	-	31,122
Total	<u>\$ 51,664</u>	<u>\$ -</u>	<u>\$ 51,664</u>	Total	<u>\$ 75,582</u>	<u>\$ -</u>	<u>\$ 75,582</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31.	OWDA Loans		
	Principal	Interest	Total
2017	\$ 1,309,952	\$ 750,179	\$ 2,060,131
2018	1,350,168	709,963	2,060,131
2019	1,391,655	668,475	2,060,130
2020	1,434,455	625,676	2,060,131
2021	1,478,610	581,521	2,060,131
2022 - 2026	8,105,968	2,194,687	10,300,655
2027 - 2031	9,440,267	860,388	10,300,655
2032	235,562	6,379	241,941
Total	<u>\$ 24,746,637</u>	<u>\$ 6,397,268</u>	<u>\$ 31,143,905</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, 2016, the City's total debt margin was \$27,199,492 and the unvoted debt margin was \$14,663,096.

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, 2016, the governmental activities liability for compensated absences was \$721,226, the business-type activities liability for compensated absences was \$410,813, and the City's total liability for compensated absences was \$1,132,039.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 14 - RISK MANAGEMENT

Property and Casualty Insurance

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

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

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

Casualty and Property Coverage

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

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, 2015 and 2016:

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

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

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 14 - RISK MANAGEMENT - (Continued)

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

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, 2016

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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0 %
Total Employer	14.0 %
Employee	10.0 %

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$669,532 for 2016. Of this amount, \$75,594 is reported as pension and postemployment benefits payable.

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

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

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

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, 2016

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
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$695,454 for 2016. Of this amount \$66,735 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 and Member-Directed Plan, respectively, were measured as of December 31, 2015, 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, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. 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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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>
Proportion of the net pension liability prior measurement date	0.04237500%	0.16301960%	
Proportion of the net pension liability current measurement date	<u>0.04270100%</u>	<u>0.16453700%</u>	
Change in proportionate share	<u>0.00032600%</u>	<u>0.00151740%</u>	
Proportion of the net pension asset prior measurement date	0.02326100%		
Proportion of the net pension asset current measurement date	<u>0.05492900%</u>		
Change in proportionate share	<u>0.03166800%</u>		
Proportionate share of the net pension liability	\$ 7,396,351	\$ 10,584,777	\$ 17,981,128
Proportionate share of the net pension asset	12,198	-	12,198
Pension expense	1,116,573	1,459,239	2,575,812

At December 31, 2016, 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			
Differences between expected and actual experience	\$ 795	\$ -	\$ 795
Net difference between projected and actual earnings on pension plan investments	2,179,467	1,722,797	3,902,264
Changes in employer's proportionate percentage/difference between employer contributions	3,582	78,100	81,682
City contributions subsequent to the measurement date	<u>669,532</u>	<u>695,454</u>	<u>1,364,986</u>
Total deferred outflows of resources	<u>\$ 2,853,376</u>	<u>\$ 2,496,351</u>	<u>\$ 5,349,727</u>
Deferred inflows of resources			
Differences between expected and actual experience	148,425	29,721	178,146
Changes in employer's proportionate percentage/difference between employer contributions	<u>18,186</u>	<u>-</u>	<u>18,186</u>
Total deferred inflows of resources	<u>\$ 166,611</u>	<u>\$ 29,721</u>	<u>\$ 196,332</u>

\$1,364,986 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, 2017.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Year Ending December 31:	OPERS	OP&F	Total
2017	\$ 462,352	\$ 467,927	\$ 930,279
2018	510,090	467,927	978,017
2019	554,487	467,925	1,022,412
2020	492,627	364,363	856,990
2021	(596)	2,547	1,951
Thereafter	(1,727)	487	(1,240)
Total	<u>\$ 2,017,233</u>	<u>\$ 1,771,176</u>	<u>\$ 3,788,409</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, 2015, actuarial valuation was determined using the following actuarial assumptions, 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	Pre 1/7/2013 retirees: 3 percent, simple Post 1/7/2013 retirees: 3 percent, simple through 2018, then 2.80% 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, 2016

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401 (h) Health Care Trust 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 0.40 percent for 2015.

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 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.31 %
Domestic equities	20.70	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	18.30	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.27 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan, the Combined Plan and Member-Directed 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 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:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 11,784,195	\$ 7,396,351	\$ 3,695,345
Combined Plan	(248)	(12,083)	(21,602)
Member-Directed Plan	301	(115)	(301)

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, 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, 2015, are presented below:

Valuation date	January 1, 2015
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 and 3.00 percent simple

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

The most recent experience study was completed for the five-year period ended December 31, 2011. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2012 actuarial valuation.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.47 %	7.80 %
Non-US Equity	16.00	4.47	8.00
Core Fixed Income *	20.00	1.62	5.35
Global Inflation			
Protected Securities *	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	120.00 %		

* levered 2x

** numbers include inflation

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

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	\$ 13,959,908	\$ 10,584,777	\$ 7,725,716

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Changes Between Measurement Date and Report Date - In October 2016, the OPERS Board of Trustees adopted certain assumption changes which impacted their annual actuarial valuation prepared as of December 31, 2016. The most significant changes are a reduction in the expected investment return to 7.50% from 8.00%, the expected long-term average wage inflation was reduced to 3.25% from 3.75%, the expected long-term average price inflation was reduced to 2.50% from 3.00% and a change to various demographic assumptions. Although the exact amount of these changes is not known, the impact to the County's net pension liability is expected to be significant.

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 2016, 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 2016 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, 2016, 2015, and 2014 were \$115,389, \$106,184, and \$105,230, respectively; 90.37% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments/pension and postemployment benefits payable on the basic financial statements.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2016 thru December 31, 2016. 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).

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$9,132 and \$7,414 for the year ended December 31, 2016, \$9,431 and \$7,041 for the year ended December 31, 2015, and \$9,101 and \$7,155, for the year ended December 31, 2014. 100% has been contributed for 2015 and 2014. 90.56% has been contributed for police and 87.06% has been contributed for firefighters for 2016. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments/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, 2016

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:

	<u>General fund</u>
Budget basis	\$ 336,612
Net adjustment for revenue accruals	(62,571)
Net adjustment for expenditure accruals	71,359
Net adjustment for other sources/uses	(2,749)
Funds budgeted elsewhere	1,277,707
Adjustment for encumbrances	<u>129,769</u>
GAAP basis	<u>\$ 1,750,127</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, 2016.

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, 2016

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	\$ 117,356
Other governmental	<u>1,100,863</u>
Total	<u>\$ 1,218,219</u>

NOTE 20 - TAX ABATEMENTS

The City has entered into the following Enterprise Zone (EZ) tax abatement agreements for the abatement of real property taxes:

- Agreement between the City and Curwood, Inc. for the abatement of 100% of real property taxes for 15 years
- Agreement between the City and KF Ventures, Ltd. for the abatement of 100% of real property taxes for 15 years

The EZ agreements were entered into under the authority of Ohio Revised Code (ORC) Section 5709.61 which required the recipients to invest in real estate in order to create and retain jobs. Sandusky County reduces the assessed property tax valuation causing a decrease in overall real property tax collections. Under the agreements, the City's property taxes collections were reduced by \$6,417 during 2016.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 21 - FUND BALANCE

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

<u>Fund balance</u>	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Materials and supplies inventory	\$ -	\$ 136,774	\$ 136,774
Prepayments	<u>88,362</u>	<u>15,453</u>	<u>103,815</u>
Total nonspendable	<u>88,362</u>	<u>152,227</u>	<u>240,589</u>
Restricted:			
Debt service	-	579,438	579,438
Transportation projects	-	740,470	740,470
Court projects	-	371,317	371,317
Revolving loans	-	377,989	377,989
R.L. Walsh trust	-	734,271	734,271
Other purposes	<u>-</u>	<u>942,184</u>	<u>942,184</u>
Total restricted	<u>-</u>	<u>3,745,669</u>	<u>3,745,669</u>
Committed:			
Capital projects	-	1,588,926	1,588,926
Recreation	-	239,753	239,753
Municipal income tax	<u>4,759,143</u>	<u>-</u>	<u>4,759,143</u>
Total committed	<u>4,759,143</u>	<u>1,828,679</u>	<u>6,587,822</u>
Assigned:			
General government	45,416	-	45,416
Securities of persons and property	20,035	-	20,035
Community environment	352	-	352
Leisure time activities	1,638	-	1,638
Economic environment	572	-	572
Recreation trust	29,354	-	29,354
Subsequent year appropriations	317,463	-	317,463
Debt service	<u>-</u>	<u>196,309</u>	<u>196,309</u>
Total assigned	<u>414,830</u>	<u>196,309</u>	<u>611,139</u>
Unassigned (deficit)	<u>2,527,491</u>	<u>(4,885)</u>	<u>2,522,606</u>
Total fund balances	<u>\$ 7,789,826</u>	<u>\$ 5,917,999</u>	<u>\$ 13,707,825</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 THREE YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>			
City's proportion of the net pension liability	0.042701%	0.042375%	0.042375%
City's proportionate share of the net pension liability	\$ 7,396,351	\$ 5,110,899	\$ 4,995,460
City's covered-employee payroll	\$ 5,227,550	\$ 5,606,342	\$ 5,080,531
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.49%	91.16%	98.33%
Plan fiduciary net position as a percentage of the total pension liability	81.08%	86.45%	86.36%
<i>Combined Plan:</i>			
City's proportion of the net pension asset	0.024830%	0.023261%	0.023261%
City's proportionate share of the net pension asset	\$ 12,083	\$ 8,956	\$ 2,441
City's covered-employee payroll	\$ 81,633	\$ 85,025	\$ 92,938
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	14.80%	10.53%	2.63%
Plan fiduciary net position as a percentage of the total pension asset	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>			
City's proportion of the net pension asset	0.030099%	n/a	n/a
City's proportionate share of the net pension asset	\$ 115	n/a	n/a
City's covered-employee payroll	\$ 94,308	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.12%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.91%	n/a	n/a

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

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

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 646,308	\$ 627,306	\$ 672,761	\$ 660,469
Contributions in relation to the contractually required contribution	<u>(646,308)</u>	<u>(627,306)</u>	<u>(672,761)</u>	<u>(660,469)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 5,385,900	\$ 5,227,550	\$ 5,606,342	\$ 5,080,531
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 10,845	\$ 9,796	\$ 10,203	\$ 12,082
Contributions in relation to the contractually required contribution	<u>(10,845)</u>	<u>(9,796)</u>	<u>(10,203)</u>	<u>(12,082)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 90,375	\$ 81,633	\$ 85,025	\$ 92,938
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 12,379	\$ 11,317		
Contributions in relation to the contractually required contribution	<u>(12,379)</u>	<u>(11,317)</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>		
City's covered-employee payroll	\$ 103,158	\$ 94,308		
Contributions as a percentage of covered-employee payroll	12.00%	12.00%		

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

**CITY OF FREMONT
SANDUSKY COUNTY**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Police:</i>				
Contractually required contribution	\$ 347,013	\$ 348,937	\$ 374,445	\$ 287,288
Contributions in relation to the contractually required contribution	<u>(347,013)</u>	<u>(348,937)</u>	<u>(374,445)</u>	<u>(287,288)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,826,384	\$ 1,836,511	\$ 1,970,763	\$ 1,808,739
Contributions as a percentage of covered-employee payroll	19.00%	19.00%	19.00%	15.88%
<i>Fire:</i>				
Contractually required contribution	\$ 348,441	\$ 330,930	\$ 366,393	\$ 285,314
Contributions in relation to the contractually required contribution	<u>(348,441)</u>	<u>(330,930)</u>	<u>(366,393)</u>	<u>(285,314)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,482,728	\$ 1,408,213	\$ 1,559,119	\$ 1,399,742
Contributions as a percentage of covered-employee payroll	23.50%	23.50%	23.50%	20.38%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 248,290	\$ 245,226	\$ 247,179	\$ 238,093	\$ 239,955	\$ 359,173
<u>(248,290)</u>	<u>(245,226)</u>	<u>(247,179)</u>	<u>(238,093)</u>	<u>(239,955)</u>	<u>(359,173)</u>
<u>\$ -</u>					
\$ 1,947,373	\$ 1,923,341	\$ 1,938,659	\$ 1,867,396	\$ 1,882,000	\$ 2,817,043
12.75%	12.75%	12.75%	12.75%	12.75%	12.75%
\$ 246,301	\$ 239,539	\$ 254,503	\$ 247,740	\$ 239,532	\$ 316,958
<u>(246,301)</u>	<u>(239,539)</u>	<u>(254,503)</u>	<u>(247,740)</u>	<u>(239,532)</u>	<u>(316,958)</u>
<u>\$ -</u>					
\$ 1,427,832	\$ 1,388,632	\$ 1,475,380	\$ 1,436,174	\$ 1,388,591	\$ 1,837,438
17.25%	17.25%	17.25%	17.25%	17.25%	17.25%

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. 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 2014-2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

June 9, 2017

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, 2016, 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 9, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2016-002.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Kea & Associates, Inc.

Lima, Ohio

City of Fremont
Sandusky County, Ohio
Schedule of Findings and Responses
December 31, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2016-001 -

Material Weakness – Internal Controls Over Financial Reporting

Criteria: The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. AU-C 265 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, AU-C 265 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Condition: There were significant audit adjustments made to the financial statements presented for audit.

Cause: There were two checks for capital projects that were not properly identified as contracts payable during management’s review of subsequent disbursements.

Effect: Contracts payable and construction in progress were understated by \$183,376 in expenses incurred in the Water fund and by the \$1,175,421 in expenses incurred in the Sewer fund as of December 31, 2016.

Recommendation: To ensure the City’s financial statements and notes to the financial statements are complete and accurate, the City should perform a final review of the statements and notes by the City Auditor, to identify and correct errors and omissions.

Management’s Response: The understatement of contracts payable and construction in progress were related to the project to install the ice control structure and the Water Reclamation Center construction project. These projects were paid directly to the contractors from Ohio Water Development Authority (OWDA) loans instead of being paid directly by the City. Payment directly from the OWDA are accounted for differently than the City’s regular invoices and payables which resulted in the payable amounts to not be captured at year-end in the contracts payable or construction in progress. The City’s internal control structure has been modified to ensure direct payments are properly captured and accounted for at year-end.

Finding Number: 2016-002

Material Noncompliance – Negative Cash Balance

Criteria: Ohio Rev. Code § 5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. A fund with a negative fund balance signifies that monies from other funds were used to meet their obligations.

Condition: A review of the City’s general ledger disclosed the Water Replacement/Improvement fund had a negative cash fund balance of \$892,443 as of December 31, 2016.

City of Fremont
Sandusky County, Ohio
Schedule of Findings and Responses (Continued)
December 31, 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number: 2016-002 (Continued)

Material Noncompliance – Negative Cash Balance

Cause: The City incurred expenses in preparation for the removal of the Ballville Dam. Legal matters prevented the City from being reimbursed by grants awarded for the project.

Effect: The City has a fund balance deficit in the Water Replacement/Improvement fund.

Recommendation: To help reduce the possibility of the City’s funds being in a deficit balance, we recommend the City monitor fund activity to prevent future expenditures in excess of available resources.

In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code and Auditor of State Bulletin 97-003.

Management’s Response: The Water Replacement/Improvement fund is the fund being used to account for the Ballville Dam removal project. This project is primarily being funded with reimbursement grants from the U.S. Fish and Wildlife Service and the Ohio EPA. The City will make transfers or advances into the Water Replacement Improvement fund from the Water Operating fund until reimbursement from the grant programs was received then repayment of any advances can be made into the Water Operating fund.



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
SEPTEMBER 12, 2017