

City of Fremont
Sandusky County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the City of Fremont, Sandusky County, prepared by Rea & Associates, Inc., for the audit period January 1, 2019 through December 31, 2019. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 4, 2020

This page intentionally left blank.

City of Fremont
Sandusky County, Ohio
December 31, 2019
Table of Contents

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds	23
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	27
Statement of Net Position – Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	30
Statement of Fiduciary Net Position – Fiduciary Funds	32
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	33
Notes to the Basic Financial Statements	35
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability/Net Pension Asset:	
Ohio Public Employees Retirement System (OPERS).....	92
Ohio Police and Fire (OP&F) Pension Fund.....	94
Schedule of City Pension Contributions:	
Ohio Public Employees Retirement System (OPERS).....	96
Ohio Police and Fire (OP&F) Pension Fund.....	98
Schedule of the City’s Proportionate Share of the Net OPEB Liability:	
Ohio Public Employees Retirement System (OPERS).....	100
Ohio Police and Fire (OP&F) Pension Fund.....	101
Schedule of City OPEB Contributions:	
Ohio Public Employees Retirement System (OPERS).....	102
Ohio Police and Fire (OP&F) Pension Fund.....	104

City of Fremont
Sandusky County, Ohio
December 31, 2019
Table of Contents

Notes to Required Supplementary Information	106
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	107

June 26, 2020

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 24, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Lima, Ohio

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019. 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 2019 are as follows:

- The total net position of the City decreased \$992,800 or 1.05% from 2018. Net position of governmental activities increased \$5,770,375 or 47.97% from 2018 and net position of business-type activities decreased \$6,763,175 or 8.22% from 2018.
- General revenues accounted for \$12,404,876 or 76.54% of total governmental activities revenue. Program specific revenues accounted for \$3,801,588 or 23.46% of total governmental activities revenue.
- The City had \$10,280,437 in expenses related to governmental activities; \$3,801,588 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily income taxes, property taxes and unrestricted grants and entitlements) of \$12,404,876 were adequate to support the remaining expenses.
- The general fund had revenues of \$13,195,168 in 2019. This represents an increase of \$1,616,412 or 13.96% from 2018. The expenditures and other financing uses of the general fund, which totaled \$12,759,747 in 2019, decreased \$2,201,702 or 14.72% from 2018. The net increase in fund balance for the general fund was \$435,421 or 8.04%.
- The capital improvement fund had \$2,765,070 in revenues and other financing sources and \$2,227,447 in expenditures in 2019. In 2019, the City issued \$1,068,980 in notes and had transfers in from the general fund totaling \$1,375,000. The capital improvement's fund balance increased \$537,623 or 11.08% during 2019.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, decreased in 2019 by \$6,763,175. This decrease in net position was primarily due to (1) the expensing of items previously reported in construction in progress that were determined to not meet the City's capitalization criteria, (2) an increase in pension and Other Post-Employment Benefits (OPEB) expense in 2019, and (3) an increase in contracts payable and notes payable related to construction projects and depreciation exceeding capital asset additions.
- In the general fund, actual revenues and other financing sources were \$230,589 more than the final budget revenues and other financing sources, and actual expenditures and other financing uses were \$521,863 less than the final budget expenditures and other financing uses. Budgeted expenditures and other financing uses increased \$826,883 from the original budget to the final budget, primarily due to an increase in budgeted transfers out.

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.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

The City's statement of net position and statement of activities can be found on pages 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 focus 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, 2019

Governmental Funds

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

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

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

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

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer management functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. 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. Custodial funds are the City's only fiduciary fund type. The basic fiduciary fund financial statements can be found on page 32-33 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 35-90 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 and net OPEB liability. The required supplementary information can be found on pages 92-106 of this report.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The 2018 current assets and current liabilities for the governmental activities have been restated to include the cash balance (\$6,800) and liability balance (\$6,800) of the Demolition Security Trust fund that was reclassified to a governmental activity in accordance with GASB Statement No. 84. The table below provides a summary of the City's net position at December 31, 2019 and December 31, 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	Restated 2018	2019	2018	2019	Restated 2018
Assets						
Current assets	\$ 18,932,640	\$ 17,444,224	\$ 30,258,842	\$ 32,493,199	\$ 49,191,482	\$ 49,937,423
Capital assets, net	<u>22,532,401</u>	<u>22,006,251</u>	<u>146,364,680</u>	<u>151,308,602</u>	<u>168,897,081</u>	<u>173,314,853</u>
Total assets	<u>41,465,041</u>	<u>39,450,475</u>	<u>176,623,522</u>	<u>183,801,801</u>	<u>218,088,563</u>	<u>223,252,276</u>
Deferred outflows of resources						
Unamortized deferred charges	-	8,926	-	-	-	8,926
Pension	4,905,553	2,150,627	2,016,742	932,000	6,922,295	3,082,627
OPEB	<u>1,100,916</u>	<u>1,043,803</u>	<u>250,385</u>	<u>203,993</u>	<u>1,351,301</u>	<u>1,247,796</u>
Total deferred outflows of resources	<u>6,006,469</u>	<u>3,203,356</u>	<u>2,267,127</u>	<u>1,135,993</u>	<u>8,273,596</u>	<u>4,339,349</u>
Liabilities						
Current liabilities	1,248,984	531,844	2,770,180	843,365	4,019,164	1,375,209
Long-term liabilities:						
Due within one year	1,395,207	637,593	3,111,994	2,402,941	4,507,201	3,040,534
Net pension liability	17,948,441	12,386,011	6,565,625	3,660,522	24,514,066	16,046,533
Net OPEB liability	3,890,357	10,610,610	2,920,678	2,416,469	6,811,035	13,027,079
Other amounts	<u>3,397,534</u>	<u>3,588,916</u>	<u>87,946,117</u>	<u>92,321,418</u>	<u>91,343,651</u>	<u>95,910,334</u>
Total liabilities	<u>27,880,523</u>	<u>27,754,974</u>	<u>103,314,594</u>	<u>101,644,715</u>	<u>131,195,117</u>	<u>129,399,689</u>
Deferred inflows of resources						
Property taxes	774,755	818,760	-	-	774,755	818,760
Pension	494,452	1,614,516	90,292	872,055	584,744	2,486,571
OPEB	<u>521,696</u>	<u>435,872</u>	<u>7,925</u>	<u>180,011</u>	<u>529,621</u>	<u>615,883</u>
Total deferred inflows of resources	<u>1,790,903</u>	<u>2,869,148</u>	<u>98,217</u>	<u>1,052,066</u>	<u>1,889,120</u>	<u>3,921,214</u>
Net Position						
Net investment in capital assets	18,212,856	18,666,129	53,326,466	56,550,993	71,539,322	75,217,122
Restricted	2,556,249	2,889,843	-	-	2,556,249	2,889,843
Unrestricted	<u>(2,969,021)</u>	<u>(9,526,263)</u>	<u>22,151,372</u>	<u>25,690,020</u>	<u>19,182,351</u>	<u>16,163,757</u>
Total net position	<u>\$ 17,800,084</u>	<u>\$ 12,029,709</u>	<u>\$ 75,477,838</u>	<u>\$ 82,241,013</u>	<u>\$ 93,277,922</u>	<u>\$ 94,270,722</u>

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "*Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.*" The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*" 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 OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows and the net pension asset related to pension and OPEB.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability/asset* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability/asset and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$93,277,922. At year-end, net positions were \$17,800,084 and \$75,477,838 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 77.44% 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, 2019, were \$18,212,856 and \$53,326,466 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,556,249 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of \$2,969,021. The business-type activities reported a positive unrestricted balance of \$22,151,372.

Assets of the governmental activities increased \$2,014,566 or 5.11% from 2018. Current assets of the governmental activities in \$1,488,416 or 8.53% primarily in cash and investments as a result of current year operations coupled with an increase in income taxes receivable. Capital assets increased \$526,150 or 2.39% as current year additions exceeded depreciation expense of \$1,661,019.

Liabilities of the governmental activities increased \$125,549 or less than 1.0% from 2018. Current liabilities of the governmental activities increased \$717,140 due to an increase in contracts payable related to City construction projects and an increase in accounts payable. Long-term obligations of the governmental activities decreased \$591,591 or 2.17% as the City saw a substantial decrease in the net OPEB liability resulting from the Ohio Police & Fire Pension Fund (OP&F) replacing its retiree health care model and current self-insured health care plan with a stipend-based health care model. As a result of the change in OPEB models, OP&F reported a significant decrease in OPEB liability. The City reports its proportionate share of OP&F OPEB liability. This decrease was partially offset by an increase in the City's net pension liability.

Assets of the business-type activities decreased \$7,178,279 or 3.91% from 2018. Current assets of the business-type activities decreased \$2,234,357 or 6.88% primarily in cash and investments as the City expended monies for an energy improvement project (the "Energy Project"). The Energy Project includes the replacement of old water meters with automated new meters, lighting upgrades, heating/air conditioning improvements, electrical upgrades, and various energy efficiency improvements. The Energy Project was undertaken to save the City a substantial money in future energy costs. The capital assets of the business-type activities decreased \$4,943,922 or 3.27%. This decrease was primarily due to the expensing of approximately \$3.0 million of items previously reported in construction-in-progress in the water fund and sewer funds related to the Energy Project. It was determined by the City that these items do not meet the City's criteria for capitalization and, therefore, are removed from construction-in-progress CIP and expensed in 2019. In addition, during 2019, the business-type activities depreciation expense exceeds capital asset additions by approximately \$1.9 million further reducing the capital asset balances.

Liabilities of the business-type activities increased \$1,669,879 or 1.64% from 2018. Current liabilities of the business-type activities increased \$1,926,815 due to an increase in contracts payable related to the City's water and sewer funds ongoing projects and the issuance of a short-term note payable. Long-term obligations of the business-type activities decreased \$256,936 or less than 1% as the City saw principal payments on debt obligations (total approximately \$3.6 million) offset by an increase in the net pension and net OPEB liabilities (total approximately \$3.4 million).

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The table below shows the changes in net position for fiscal years 2019 and 2018.

	Change in Net Position					
	Governmental Activities 2019	Governmental Activities 2018	Business-type Activities 2019	Business-type Activities 2018	2019 Total	2018 Total
	Revenues					
Program revenues:						
Charges for services and sales	\$ 1,539,946	\$ 1,291,050	\$ 15,936,643	\$ 17,033,291	\$ 17,476,589	\$ 18,324,341
Operating grants and contributions	1,915,888	1,712,026	-	-	1,915,888	1,712,026
Capital grants and contributions	345,754	499,710	85,867	-	431,621	499,710
Total program revenues	3,801,588	3,502,786	16,022,510	17,033,291	19,824,098	20,536,077
General revenues:						
Property taxes	471,902	791,155	-	-	471,902	791,155
Income taxes	10,048,250	8,012,644	-	-	10,048,250	8,012,644
Hotel/motel taxes	54,594	56,571	-	-	54,594	56,571
Unrestricted grants and entitlements	541,058	490,626	-	-	541,058	490,626
Investment earnings	1,053,958	542,289	9,664	16,804	1,063,622	559,093
Miscellaneous	235,114	390,945	90,458	152,554	325,572	543,499
Total general revenues	12,404,876	10,284,230	100,122	169,358	12,504,998	10,453,588
Total revenues	16,206,464	13,787,016	16,122,632	17,202,649	32,329,096	30,989,665
Expenses						
General government	3,898,137	4,411,408	-	-	3,898,137	4,411,408
Security of persons and property	744,129	7,399,707	-	-	744,129	7,399,707
Public health and welfare	6,928	5,245	-	-	6,928	5,245
Transportation	2,504,627	1,743,864	-	-	2,504,627	1,743,864
Community environment	380,172	141,844	-	-	380,172	141,844
Leisure time activity	2,489,555	2,174,727	-	-	2,489,555	2,174,727
Economic development	117,864	63,699	-	-	117,864	63,699
Interest and fiscal charges	139,025	71,522	-	-	139,025	71,522
Water	-	-	10,083,217	7,314,518	10,083,217	7,314,518
Sewer	-	-	12,730,955	8,263,253	12,730,955	8,263,253
Total expenses	10,280,437	16,012,016	22,814,172	15,577,771	33,094,609	31,589,787
Increase (decrease) in net position before transfers and special item	5,926,027	(2,225,000)	(6,691,540)	1,624,878	(765,513)	(600,122)
Transfers	(155,652)	(18,326)	155,652	18,326	-	-
Special item: Ballville dam removal	-	-	(227,287)	2,422,842	(227,287)	2,422,842
Change in net position	5,770,375	(2,243,326)	(6,763,175)	4,066,046	(992,800)	1,822,720
Net position at beginning of year	12,029,709	14,273,035	82,241,013	78,174,967	94,270,722	92,448,002
Net position at end of year	\$ 17,800,084	\$ 12,029,709	\$ 75,477,838	\$ 82,241,013	\$ 93,277,922	\$ 94,270,722

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Governmental Activities

Governmental activities net position increased \$5,770,375 in 2019. The increase is primarily due to a decrease in security of persons and property expense of \$6,655,578 resulting from a decrease in Other Postemployment Benefits (OPEB) expense related to the Ohio Police & Fire Pension Fund (OP&F). Beginning January 1, 2019, OP&F replaced its retiree health care model and current self-insured health care plan with a stipend-based health care model. As a result of the change in OPEB models, OP&F reported a significant decrease in OPEB expense. The City reports its proportionate share of OP&F OPEB expense. As a result, the City's OPEB expense for OP&F for 2019 was (\$6.9) million, a decrease of \$7.6 million from the City's 2018 OPEB expense.

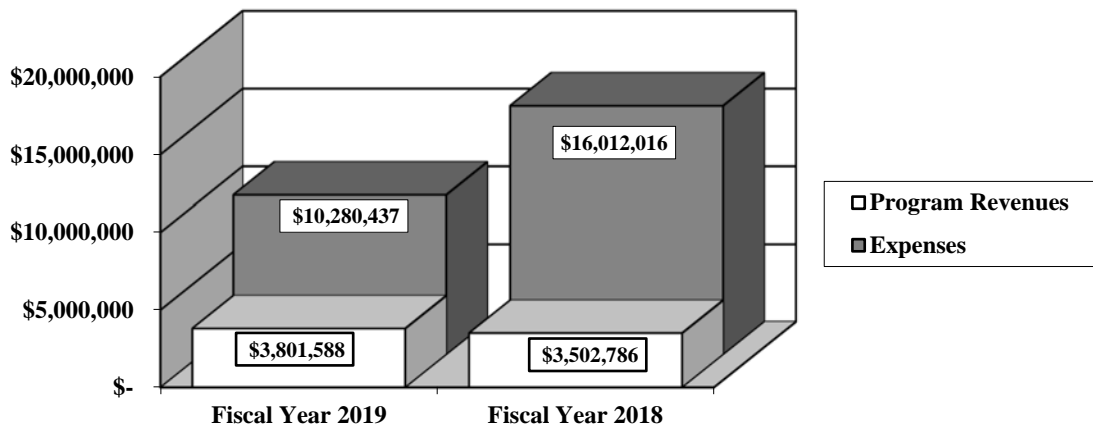
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$744,129 of the total expenses of the City. These expenses were partially funded by \$5,183 in direct charges to users of the services. General government expenses totaled \$3,898,137. General government expenses were partially funded by \$1,002,507 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$1,915,888 in operating grants and contributions and \$345,754 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, \$1,040,142 subsidized transportation programs, \$499,943 subsidized community environment, and \$247,530 subsidized general government activities. Operating grants increased \$203,862 from the prior year.

General revenues totaled \$12,404,846 and amounted to 76.54% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$10,520,152. Another primary source of general revenues is grants and entitlements not restricted to specific programs, including local government revenue, making up \$541,058. Investment earnings increased \$511,669 from 2018.

As can be seen in the graph below, program revenues support only a portion of the City's overall governmental activities expenses. 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, 2019

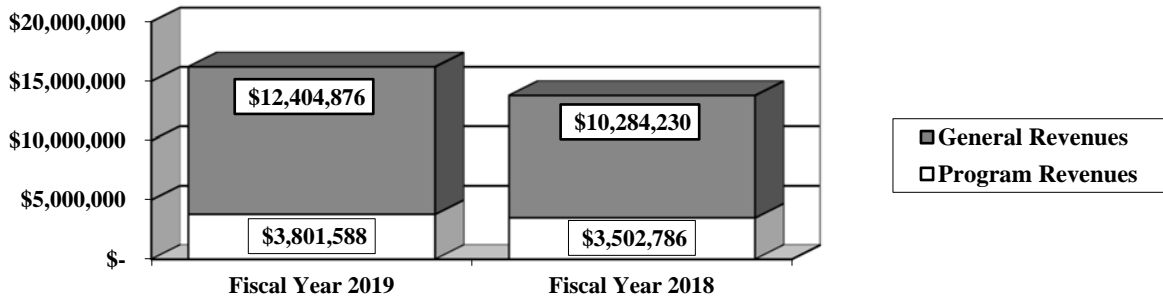
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2019	2019	2018	2018
Program Expenses:				
General government	\$ 3,898,137	\$ 2,648,100	\$ 4,411,408	\$ 2,992,910
Security of persons and property	744,129	643,019	7,399,707	7,307,253
Public health and welfare	6,928	6,928	5,245	5,245
Transportation	2,504,627	1,116,141	1,743,864	376,038
Community environment	380,172	(88,588)	141,844	90,205
Leisure time activity	2,489,555	1,905,388	2,174,727	1,615,844
Economic development	117,864	116,902	63,699	59,419
Interest and fiscal charges	139,025	130,959	71,522	62,316
Total	\$ 10,280,437	\$ 6,478,849	\$ 16,012,016	\$ 12,509,230

The dependence upon general revenues for governmental activities is apparent, with 63.02% of expenses supported through taxes and other general revenues.

The graph below shows a comparison of the City's general revenues compared to program revenues for the governmental activities.

Governmental Activities – General and Program Revenues



Business-type Activities

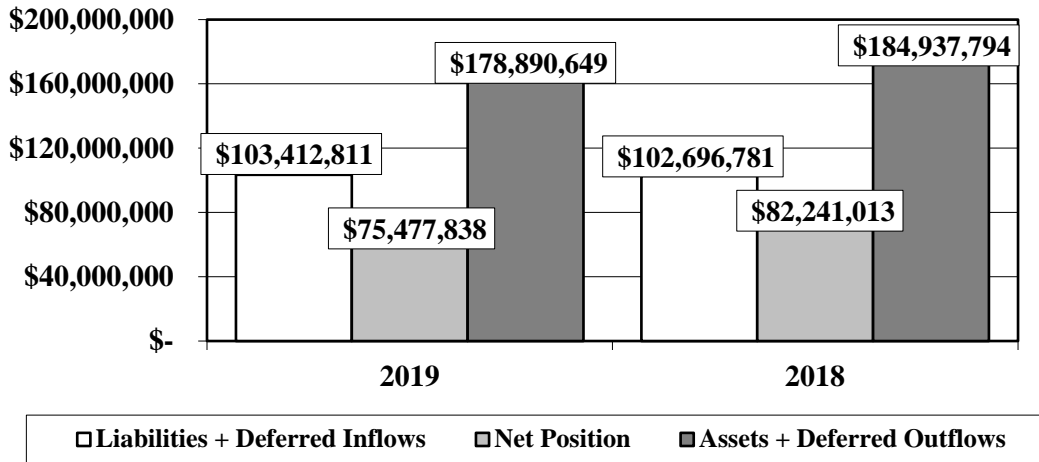
Business-type activities include the water and sewer enterprise funds. These programs had program revenues of \$16,022,510, general revenues of \$100,122, transfers in of \$155,652, expenses of \$22,814,172, and a special item for the Ballville dam removal expenses of \$227,287 for 2019. The decrease in program revenues can mainly be attributed to the reduced charges for services in the water and sewer funds. The increases in water and sewer expenses are primarily due to energy improvement related expenses incurred for the City's Energy Project.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

The graph below illustrates the City's business-type assets, liabilities, deferred outflows, deferred inflows, and net position at December 31, 2019 and December 31, 2018.

Net Position in Business-Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$15,484,250 which is \$677,549 more than last year's total of \$14,806,701. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2019 for all major and nonmajor governmental funds.

	Fund Balances 12/31/19	Fund Balances 12/31/18	Change
Major funds:			
General	\$ 5,852,049	\$ 5,416,628	\$ 435,421
Capital improvement	5,387,638	4,850,015	537,623
Other nonmajor governmental funds	4,244,563	4,540,058	(295,495)
Total	<u>\$ 15,484,250</u>	<u>\$ 14,806,701</u>	<u>\$ 677,549</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

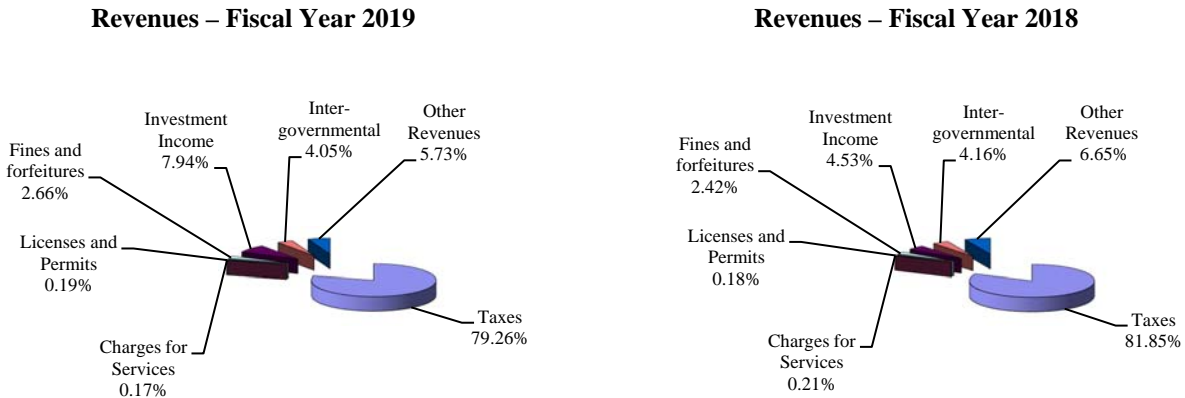
General Fund

The City's general fund balance increased \$435,421. The table below compares 2019 versus 2018 revenues.

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Revenues			
Taxes	\$ 10,458,244	\$ 9,477,594	10.35 %
Charges for services	23,125	24,598	(5.99) %
Licenses and permits	24,595	19,544	25.84 %
Fines and forfeitures	350,668	280,231	25.14 %
Intergovernmental	533,769	481,574	10.84 %
Investment income	1,048,073	524,954	99.65 %
Other	756,694	770,261	(1.76) %
Total	<u>\$ 13,195,168</u>	<u>\$ 11,578,756</u>	13.96 %

Tax revenue represents 79.26% of all general fund revenue. Income tax revenue increased in 2019 resulting primarily from fluctuations in the timing of remitting business net profit taxes. Investment income increased as interest rates on applicable investments improved.

The graphs below show general fund revenue, by source, for 2019 and 2018:



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

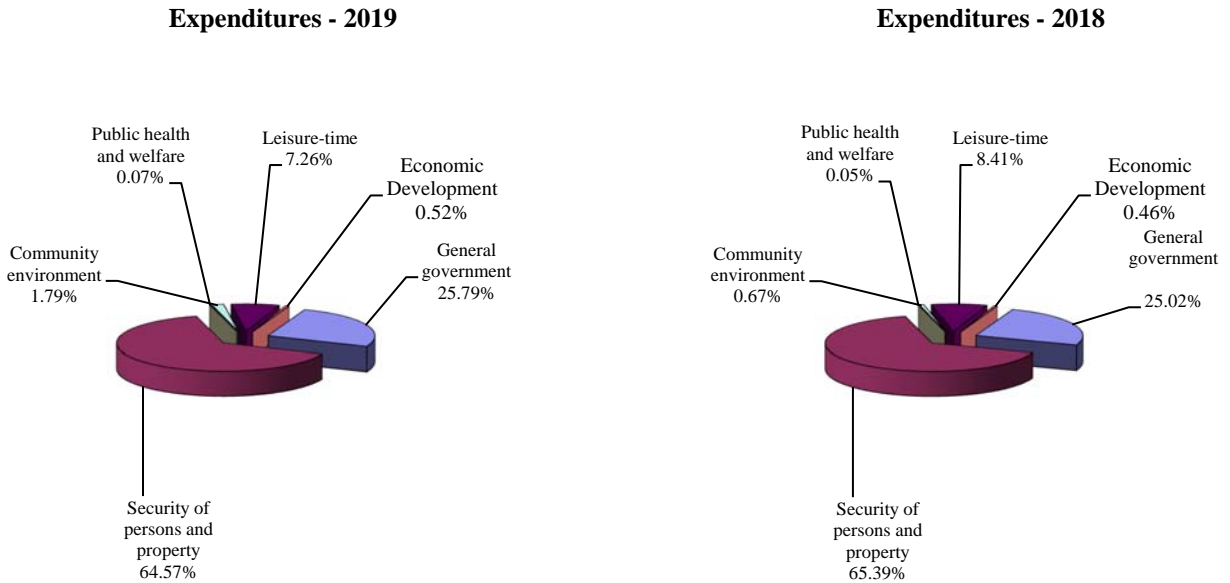
	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Expenditures			
General government	\$ 2,648,277	\$ 2,447,439	8.21 %
Security of persons and property	6,631,993	6,395,665	3.70 %
Public health and welfare	6,928	5,245	32.09 %
Community environment	184,191	65,453	181.41 %
Leisure time activity	745,185	822,562	(9.41) %
Economic development	53,231	44,751	18.95 %
Total	<u>\$ 10,269,805</u>	<u>\$ 9,781,115</u>	5.00 %

**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The most significant increase in dollars in general fund expenditures was in security of persons and property. This line item increased \$236,328 in 2019. This was primarily due to (1) an increase in fire personnel wages and benefits expenditures, (2) an increase in repair and maintenance expenditures in the fire department, and (3) an increase in contracted services expenditures in the police department. Leisure-time activities expenditures decreased \$77,377 in 2019. This is primarily due to less equipment related expenditures in the parks department in 2019 versus 2018.

The graphs below show general fund expenditures, by function, for 2019 and 2018:



Capital Improvement Fund

The City’s capital improvement fund’s fund balance increased by \$537,623 from 2018. The capital improvement fund’s transfers in were reduced by \$2,594,280 during 2019 compared to 2018 but reported \$904,937 less in expenditures during 2019 compared to 2018. The decrease in expenditures is primarily due to the timing of energy project costs. The capital improvement fund reported \$1,068,980 of proceeds related to street improvement notes issued in 2019 for the Garrison Street reconstruction project..

Budgeting Highlights

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

Budgetary information is presented for the general fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of expenditures and other financing uses, which increased \$826,883 from \$10,303,538 to \$11,130,421 primarily due to transfers to the capital improvement fund for the City’s Energy Project. Actual revenues and other financing sources of \$10,358,339 were more than final budgeted revenues and other financing sources by \$230,589. 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 \$521,863 lower than the final budgeted amounts, primarily due to expenditures for general government operations and security of persons and property programs being less than budgeted.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 \$75,480,567, which is \$6,761,816 less than last year's total of \$82,242,383. This decrease is primarily due to the expensing of approximately \$3.0 million of items previously reported in construction-in-progress in the water fund and sewer funds related to the City's Energy Project and approximately \$2.5 million of expenses incurred in 2019 related to the City's Energy Project.

Capital Assets and Debt Administration

Capital Assets

At the end of 2019, the City had \$168,897,081 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress (CIP). Of this total, \$22,532,401 was reported in governmental activities and \$146,364,680 was reported in business-type activities. See Note 10 for further description of capital assets.

The following table shows 2019 balances compared to 2018:

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

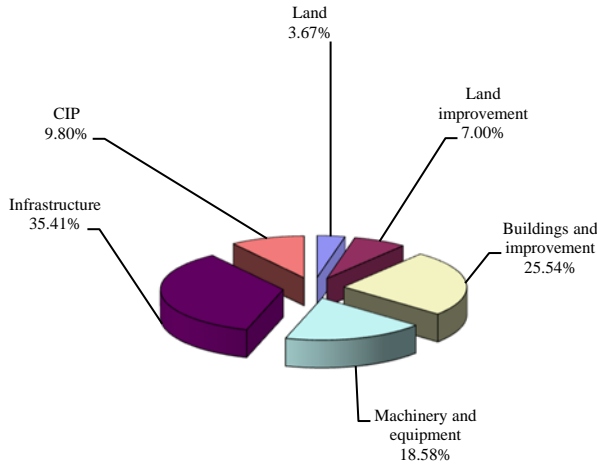
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 828,059	\$ 809,559	\$ 977,180	\$ 977,180	\$ 1,805,239	\$ 1,786,739
Land improvements	1,577,448	1,729,259	41,108,680	42,045,680	42,686,128	43,774,939
Buildings and improvements	5,754,478	5,402,273	73,466,740	75,555,486	79,221,218	80,957,759
Machinery and equipment	4,186,210	3,277,466	11,118,652	11,122,085	15,304,862	14,399,551
Infrastructure	7,978,111	8,506,805	18,360,838	17,290,498	26,338,949	25,797,303
Construction in progress	2,208,095	2,280,889	1,332,590	4,317,673	3,540,685	6,598,562
Totals	\$ 22,532,401	\$ 22,006,251	\$ 146,364,680	\$ 151,308,602	\$ 168,897,081	\$ 173,314,853

**CITY OF FREMONT
SANDUSKY COUNTY**

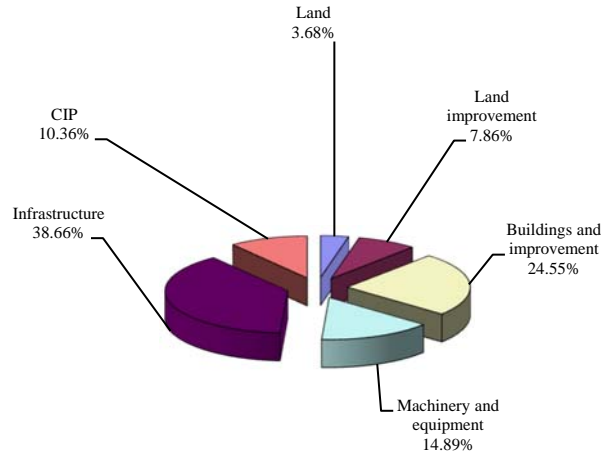
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

The following graphs show the breakdown of governmental capital assets by category for 2019 and 2018.

Capital Assets - Governmental Activities 2019



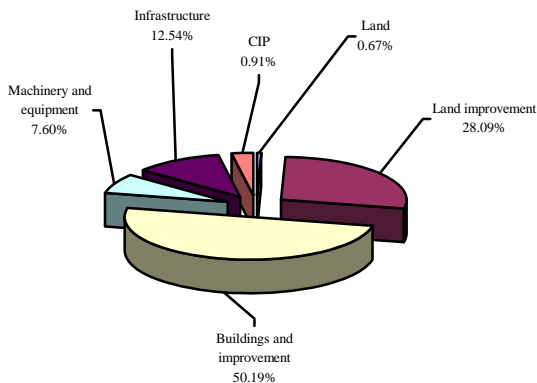
Capital Assets - Governmental Activities 2018



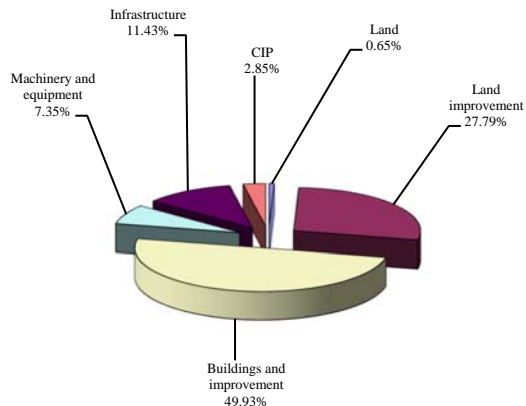
In governmental type activities, the City's largest capital asset category is infrastructure which includes roads, bridges, culverts, sidewalks and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 35.41% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2019 and 2018.

Capital Assets - Business-Type Activities 2019



Capital Assets - Business-Type Activities 2018



In business type activities, the largest capital assets category is buildings and improvements, which includes water and sewer plants. The net book value of the City's buildings and improvements represents approximately 50.19% of the City's total capital type assets.

**CITY OF FREMONT
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

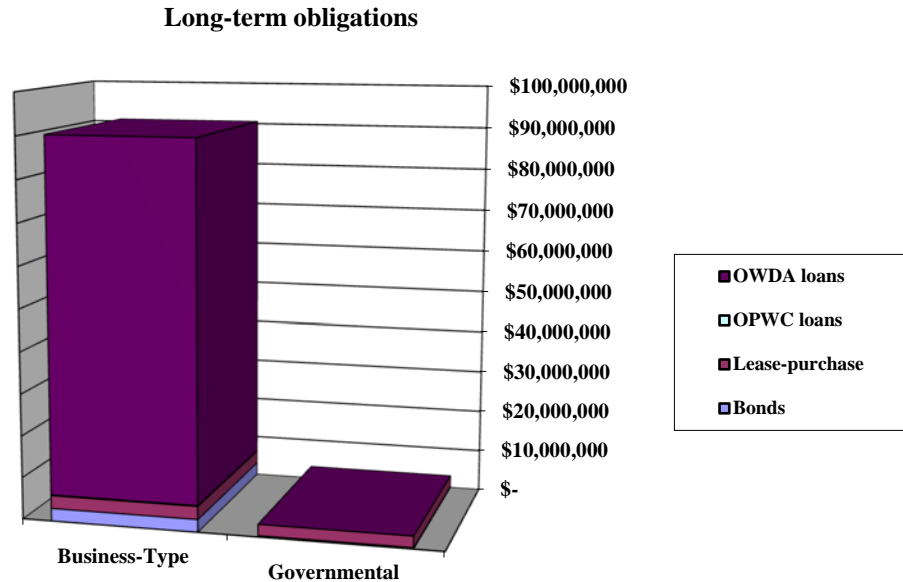
Debt Administration

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, 2019 and 2018:

	Governmental Activities	
	2019	2018
General obligation bonds	\$ 335,000	\$ 740,000
Bond anticipation notes	1,068,980	-
Lease-purchase agreement	2,661,434	2,787,685
Total long-term obligations	\$ 4,065,414	\$ 3,527,685

	Business-type Activities	
	2019	2018
General obligation bonds	\$ 3,045,000	\$ 3,665,000
Lease-purchase agreement	3,099,149	3,291,313
OPWC loans	205,463	232,238
OWDA loans	84,140,927	86,898,429
Total long-term obligations	\$ 90,490,539	\$ 94,086,980

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



**CITY OF FREMONT
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Economic Conditions and Outlook

Prior to the COVID-19 pandemic, development throughout the City of Fremont was looking bright. Several projects were preparing to break ground and other companies were finishing their plans and preparing to make announcements about expansion.

Unfortunately, due to the uncertainty of the economy because of the pandemic many projects have been delayed but not stopped. As people return to work and the economy slowly gets back on track most of the private sector investment discussions are getting back on track. The City of Fremont should be hearing several announcements throughout the summer of companies relocating to Fremont, various manufacturers adding news jobs and other businesses constructing additions to their building and adding new machinery/equipment.

The \$1.6 million investment by First Choice Packing to purchase new machinery and add nine new jobs is just one example of some of the progress continuing to be made during the pandemic. Last year, Quality Steel added a second shift totally 75 new jobs. This year they are adding a 40,000 square addition to their building at a cost of 5 million dollars to continue to improve their operations. The Freeman Company's purchase of new machinery at a cost of over a million dollars and commitment to add 10 new jobs are signs of a strong manufacturing community. Finally, the International Cushing Company purchased the old Fremont Plastics building in June and has begun moving equipment with plans to be up and running in July. The initial start-up will have 20 jobs and by the end of the year be totally 40 jobs with a goal of 75 employees next year at this time. Despite some delays as a result of the pandemic many of our local manufacturer continue to make plans to expand and strengthen their operations.

Finally, the \$5 million expansion and renovation of the Birchard Public Library in our historic downtown has begun and by the end of the years should be right in the middle of construction. In addition, the construction of four new elementary schools is nearly completion with the construction of the high school getting underway. The demolition of the old elementary schools as begun and dilapidated. The landscape of Fremont is being transformed and showing signs of good things yet to come.

Contacting the City's Financial Management

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

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 13,918,183	\$ 23,716,207	\$ 37,634,390
Receivables (net of allowances for uncollectibles):			
Income taxes	2,420,434	-	2,420,434
Property and other local taxes	827,453	-	827,453
Accounts	85,907	1,729,817	1,815,724
Loans	287,126	-	287,126
Accrued interest	102,077	-	102,077
Due from other governments	971,383	4,167,535	5,138,918
Materials and supplies inventory	213,222	492,215	705,437
Prepayments	97,133	50,239	147,372
Internal balance	2,729	(2,729)	-
Net pension asset (Note 15)	6,993	8,388	15,381
Restricted assets:			
Equity in pooled cash and investments	-	97,170	97,170
Capital assets:			
Nondepreciable capital assets	3,036,154	2,309,770	5,345,924
Depreciable capital assets, net	19,496,247	144,054,910	163,551,157
Total capital assets, net	<u>22,532,401</u>	<u>146,364,680</u>	<u>168,897,081</u>
Total assets	<u>41,465,041</u>	<u>176,623,522</u>	<u>218,088,563</u>
Deferred outflows of resources:			
Pension (Note 15)	4,905,553	2,016,742	6,922,295
OPEB (Note 16)	1,100,916	250,385	1,351,301
Total deferred outflows of resources	<u>6,006,469</u>	<u>2,267,127</u>	<u>8,273,596</u>
Liabilities:			
Accounts payable	412,974	153,842	566,816
Contracts payable	589,130	1,189,674	1,778,804
Accrued wages and benefits	68,639	29,545	98,184
Note payable	-	1,191,020	1,191,020
Pension and postemployment benefits payable	99,811	39,179	138,990
Due to claimants	4,143	-	4,143
Accrued interest payable	58,347	69,750	128,097
Deposits held and due to others	15,940	-	15,940
Payable from restricted assets:			
Refundable deposits	-	97,170	97,170
Long-term liabilities:			
Due within one year	1,395,207	3,111,994	4,507,201
Due in more than one year:			
Net pension liability (Note 15)	17,948,441	6,565,625	24,514,066
Net OPEB liability (Note 16)	3,890,357	2,920,678	6,811,035
Other amounts due in more than one year	<u>3,397,534</u>	<u>87,946,117</u>	<u>91,343,651</u>
Total liabilities	<u>27,880,523</u>	<u>103,314,594</u>	<u>131,195,117</u>
Deferred inflows of resources:			
Property taxes levied for the next year	774,755	-	774,755
Pension (Note 15)	494,452	90,292	584,744
OPEB (Note 16)	521,696	7,925	529,621
Total deferred inflows of resources	<u>1,790,903</u>	<u>98,217</u>	<u>1,889,120</u>
Net position:			
Net investment in capital assets	18,212,856	53,326,466	71,539,322
Restricted for:			
Debt service	362,250	-	362,250
Transportation projects	217,996	-	217,996
Court projects	456,742	-	456,742
Revolving loans	350,730	-	350,730
R.L. Walsh Trust	768,824	-	768,824
Other purposes	399,707	-	399,707
Unrestricted	<u>(2,969,021)</u>	<u>22,151,372</u>	<u>19,182,351</u>
Total net position	<u>\$ 17,800,084</u>	<u>\$ 75,477,838</u>	<u>\$ 93,277,922</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 3,898,137	\$ 1,002,507	\$ 247,530	\$ -
Security of persons and property	744,129	5,183	95,927	-
Public health and welfare	6,928	-	-	-
Transportation	2,504,627	2,590	1,040,142	345,754
Community environment	380,172	18,817	449,943	-
Leisure time activity	2,489,555	510,849	73,318	-
Economic development	117,864	-	962	-
Interest and fiscal charges	139,025	-	8,066	-
Total governmental activities	10,280,437	1,539,946	1,915,888	345,754
Business-type activities:				
Water	10,083,217	7,669,647	-	-
Sewer	12,730,955	8,266,996	-	85,867
Total business-type activities	22,814,172	15,936,643	-	85,867
Total primary government	\$ 33,094,609	\$ 17,476,589	\$ 1,915,888	\$ 431,621

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 and special items:

Transfers

Special item: Ballville dam removal (Note 21)

Total general revenues, transfers and special items

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
\$ (2,648,100)	\$ -	\$ (2,648,100)
(643,019)	-	(643,019)
(6,928)	-	(6,928)
(1,116,141)	-	(1,116,141)
88,588	-	88,588
(1,905,388)	-	(1,905,388)
(116,902)	-	(116,902)
(130,959)	-	(130,959)
(6,478,849)	-	(6,478,849)
-	(2,413,570)	(2,413,570)
-	(4,378,092)	(4,378,092)
-	(6,791,662)	(6,791,662)
(6,478,849)	(6,791,662)	(13,270,511)
10,048,250	-	10,048,250
471,902	-	471,902
54,594	-	54,594
541,058	-	541,058
1,053,958	9,664	1,063,622
235,114	90,458	325,572
12,404,876	100,122	12,504,998
(155,652)	155,652	-
-	(227,287)	(227,287)
12,249,224	28,487	12,277,711
5,770,375	(6,763,175)	(992,800)
12,029,709	82,241,013	94,270,722
\$ 17,800,084	\$ 75,477,838	\$ 93,277,922

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF FREMONT
SANDUSKY COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments	\$ 4,621,700	\$ 5,657,162	\$ 3,618,605	\$ 13,897,467
Receivables (net of allowance for uncollectibles):				
Income taxes	2,420,434	-	-	2,420,434
Property and other local taxes	827,453	-	-	827,453
Accounts	82,347	-	3,560	85,907
Accrued interest	102,077	-	-	102,077
Loans	-	-	287,126	287,126
Due from other governments	221,556	-	749,801	971,357
Materials and supplies inventory	-	-	213,222	213,222
Prepayments	83,147	-	13,205	96,352
Total assets	<u>\$ 8,358,714</u>	<u>\$ 5,657,162</u>	<u>\$ 4,885,519</u>	<u>\$ 18,901,395</u>
Liabilities:				
Accounts payable	\$ 392,411	\$ -	\$ 20,336	\$ 412,747
Contracts payable	-	269,524	319,606	589,130
Accrued wages and benefits payable	60,530	-	7,657	68,187
Compensated absences payable	45,380	-	-	45,380
Pension and postemployment benefits payable	89,061	-	10,125	99,186
Due to claimants	4,143	-	-	4,143
Deposits held and due to others	-	-	15,940	15,940
Total liabilities	<u>591,525</u>	<u>269,524</u>	<u>373,664</u>	<u>1,234,713</u>
Deferred inflows of resources:				
Property taxes levied for the next year	774,755	-	-	774,755
Delinquent property tax revenue not available	52,698	-	-	52,698
Accrued interest not available	66,645	-	-	66,645
Income tax revenue not available	866,136	-	-	866,136
Intergovernmental revenue not available	154,906	-	267,292	422,198
Total deferred inflows of resources	<u>1,915,140</u>	<u>-</u>	<u>267,292</u>	<u>2,182,432</u>
Fund balances:				
Nonspendable	83,147	-	226,427	309,574
Restricted	-	-	3,149,861	3,149,861
Committed	3,157,172	5,387,638	683,965	9,228,775
Assigned	935,644	-	213,916	1,149,560
Unassigned	1,676,086	-	(29,606)	1,646,480
Total fund balances	<u>5,852,049</u>	<u>5,387,638</u>	<u>4,244,563</u>	<u>15,484,250</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,358,714</u>	<u>\$ 5,657,162</u>	<u>\$ 4,885,519</u>	<u>\$ 18,901,395</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, 2019

Total governmental fund balances		\$	15,484,250
<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.			22,532,401
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred inflows in the funds.			
Income taxes receivable	\$	866,136	
Delinquent property taxes receivable		52,698	
Due from other governments		422,198	
Accrued interest receivable		66,645	
Total		1,407,677	1,407,677
An internal service fund is used by management to charge the costs of internal equipment service to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			(95,957)
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.			2,729
In the statement of net position interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.			(58,347)
Unamortized premiums on bond issuances are not recognized in the funds.			(1,541)
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 (excludes internal service fund balances).			
Net pension asset		6,860	
Deferred outflows of resources - pension		4,873,642	
Deferred inflows of resources - pension		(492,978)	
Net pension liability		(17,844,254)	
Total		(13,456,730)	(13,456,730)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds (excludes internal service fund balances).			
Deferred outflows of resources - OPEB		1,097,057	
Deferred inflows of resources - OPEB		(521,570)	
Net OPEB liability		(3,844,065)	
Total		(3,268,578)	(3,268,578)
Long-term liabilities, including bonds payable and lease purchase obligations, 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		(335,000)	
Bond Anticipation Note		(1,068,980)	
Lease purchase obligation		(2,661,434)	
Compensated absences		(680,406)	
Total		(4,745,820)	(4,745,820)
Net position of governmental activities		\$	17,800,084

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, 2019

	<u>General</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$ 9,942,472	\$ -	\$ -	\$ 9,942,472
Property and other local taxes	515,772	-	-	515,772
Charges for services	23,125	-	499,303	522,428
Licenses, permits and fees	24,595	-	-	24,595
Fines and forfeitures	350,668	-	212,897	563,565
Intergovernmental	533,769	144,186	1,718,741	2,396,696
Special assessments	-	1,580	-	1,580
Investment income	1,048,073	-	23,990	1,072,063
Contributions and donations	93,802	-	3,625	97,427
Other	662,892	167,435	102,890	933,217
Total revenues	<u>13,195,168</u>	<u>313,201</u>	<u>2,561,446</u>	<u>16,069,815</u>
Expenditures:				
Current:				
General government	2,648,277	-	505,903	3,154,180
Security of persons and property	6,631,993	-	10,702	6,642,695
Public health and welfare	6,928	-	-	6,928
Transportation	-	-	1,039,097	1,039,097
Community environment	184,191	-	161,313	345,504
Leisure time activity	745,185	-	967,003	1,712,188
Economic development and assistance	53,231	-	34,620	87,851
Capital outlay	-	2,224,518	599,042	2,823,560
Debt service:				
Principal retirement	-	-	553,591	553,591
Interest and fiscal charges	-	-	122,952	122,952
Note issuance costs	-	2,929	-	2,929
Total expenditures	<u>10,269,805</u>	<u>2,227,447</u>	<u>3,994,223</u>	<u>16,491,475</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,925,363</u>	<u>(1,914,246)</u>	<u>(1,432,777)</u>	<u>(421,660)</u>
Other financing sources (uses):				
Note issuance	-	1,068,980	-	1,068,980
Inception of lease purchasing transaction	-	-	22,340	22,340
Transfers in	-	1,375,000	1,114,942	2,489,942
Transfers out	(2,489,942)	-	-	(2,489,942)
Premium on note issuance	-	7,889	-	7,889
Total other financing sources (uses)	<u>(2,489,942)</u>	<u>2,451,869</u>	<u>1,137,282</u>	<u>1,099,209</u>
Net change in fund balances	435,421	537,623	(295,495)	677,549
Fund balances				
at beginning of year	<u>5,416,628</u>	<u>4,850,015</u>	<u>4,540,058</u>	<u>14,806,701</u>
Fund balances at end of year	<u>\$ 5,852,049</u>	<u>\$ 5,387,638</u>	<u>\$ 4,244,563</u>	<u>\$ 15,484,250</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, 2019

Net change in fund balances - total governmental funds		\$ 677,549
<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	\$ 2,990,182	
Construction in progress expensed	(768,339)	
Current year depreciation	(1,661,019)	
Total	560,824	560,824
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(34,674)
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	10,724	
Intergovernmental revenue	14,262	
Income tax revenue	105,778	
Investment income	5,885	
Total	136,649	136,649
Proceeds of lease purchase agreements and bond anticipation notes are reported as an other financing source in the funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		
		(1,091,320)
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.		
		553,591
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:		
(Increase) in accrued interest	(18,500)	
Amortization of deferred amounts on refunding	(8,926)	
Amortization of bond premiums	6,393	
Total	(21,033)	(21,033)
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.		
		(15,176)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,134,413
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(2,809,057)
Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		18,244
Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.		
		6,677,727
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 (\$2,729), is allocated among the governmental activities.		
		(17,362)
Change in net position of governmental activities		\$ 5,770,375

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, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other local taxes	\$ 834,000	\$ 862,000	\$ 867,418	\$ 5,418
Charges for services.	24,250	24,250	23,154	(1,096)
Licenses, permits and fees	16,500	19,500	24,595	5,095
Fines and forfeitures	252,000	360,000	349,562	(10,438)
Intergovernmental.	431,000	459,500	531,038	71,538
Investment income.	500,000	600,000	705,860	105,860
Contributions and donations.	75,000	85,000	92,302	7,302
Other	243,000	415,000	459,799	44,799
Total revenues	<u>2,375,750</u>	<u>2,825,250</u>	<u>3,053,728</u>	<u>228,478</u>
Expenditures:				
Current:				
General government	2,232,970	2,301,953	2,088,820	213,133
Security of persons and property	6,921,534	7,139,434	6,886,596	252,838
Public health and welfare.	11,600	12,600	7,108	5,492
Community environment	175,220	203,720	193,641	10,079
Leisure time activity	815,610	826,110	791,541	34,569
Economic development and assistance	57,604	57,604	52,232	5,372
Total expenditures	<u>10,214,538</u>	<u>10,541,421</u>	<u>10,019,938</u>	<u>521,483</u>
Excess of expenditures over revenues	<u>(7,838,788)</u>	<u>(7,716,171)</u>	<u>(6,966,210)</u>	<u>749,961</u>
Other financing sources (uses):				
Sale of capital assets.	2,500	2,500	4,611	2,111
Transfers in	7,300,000	7,300,000	7,300,000	-
Transfers out	(89,000)	(589,000)	(588,620)	380
Total other financing sources (uses)	<u>7,213,500</u>	<u>6,713,500</u>	<u>6,715,991</u>	<u>2,491</u>
Net change in fund balances	(625,288)	(1,002,671)	(250,219)	752,452
Fund balances at beginning of year	2,553,407	2,553,407	2,553,407	-
Prior year encumbrances appropriated	205,518	205,518	205,518	-
Fund balance at end of year	<u>\$ 2,133,637</u>	<u>\$ 1,756,254</u>	<u>\$ 2,508,706</u>	<u>\$ 752,452</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Assets:				
Current assets:				
Equity in pooled cash and investments	\$ 2,897,908	\$ 20,818,299	\$ 23,716,207	\$ 20,716
Receivables (net of allowance for uncollectibles):				
Accounts	881,027	848,790	1,729,817	-
Due from other governments	4,126,459	41,076	4,167,535	26
Materials and supplies inventory	410,495	81,720	492,215	-
Prepayments	23,550	26,689	50,239	781
Total current assets	<u>8,339,439</u>	<u>21,816,574</u>	<u>30,156,013</u>	<u>21,523</u>
Noncurrent assets:				
Net pension asset (Note 15)	3,977	4,411	8,388	133
Restricted assets:				
Equity in pooled cash and investments	97,170	-	97,170	-
Capital assets:				
Nondepreciable capital assets	1,584,736	725,034	2,309,770	-
Depreciable capital assets, net	67,028,471	77,026,439	144,054,910	-
Total capital assets, net	<u>68,613,207</u>	<u>77,751,473</u>	<u>146,364,680</u>	<u>-</u>
Total noncurrent assets	<u>68,714,354</u>	<u>77,755,884</u>	<u>146,470,238</u>	<u>133</u>
Total assets	<u>77,053,793</u>	<u>99,572,458</u>	<u>176,626,251</u>	<u>21,656</u>
Deferred outflows of resources:				
Pension (Note 15)	975,669	1,041,073	2,016,742	31,911
OPEB (Note 16)	117,016	133,369	250,385	3,859
Total deferred outflows of resources	<u>1,092,685</u>	<u>1,174,442</u>	<u>2,267,127</u>	<u>35,770</u>
Liabilities:				
Current liabilities:				
Accounts payable	73,267	80,575	153,842	227
Contracts payable	685,700	503,974	1,189,674	-
Accrued wages and benefits payable	14,352	15,193	29,545	452
Due to other governments	-	-	-	-
Pension and postemployment benefits payable	18,829	20,350	39,179	625
Accrued interest payable	42,952	26,798	69,750	-
Current portion of compensated absences	40,443	37,405	77,848	-
Current portion of general obligation bonds	630,000	-	630,000	-
Current portion of OWDA loans payable	1,406,946	808,972	2,215,918	-
Current portion of OPWC loans payable	3,775	9,612	13,387	-
Current portion of lease obligations payable	174,841	-	174,841	-
Notes payable	-	1,191,020	1,191,020	-
Payable from restricted assets:				
Refundable deposits	97,170	-	97,170	-
Total current liabilities	<u>3,188,275</u>	<u>2,693,899</u>	<u>5,882,174</u>	<u>1,304</u>
Long-term liabilities:				
Compensated absences payable	157,306	165,437	322,743	-
General obligation bonds payable	2,581,981	-	2,581,981	-
OWDA loans payable	18,567,057	63,357,952	81,925,009	-
OPWC loans payable	132,117	59,959	192,076	-
Lease obligations payable	2,924,308	-	2,924,308	-
Net pension liability (Note 15)	3,112,989	3,452,636	6,565,625	104,187
Net OPEB liability (Note 16)	1,363,547	1,557,131	2,920,678	46,292
Total long-term liabilities	<u>28,839,305</u>	<u>68,593,115</u>	<u>97,432,420</u>	<u>150,479</u>
Total liabilities	<u>32,027,580</u>	<u>71,287,014</u>	<u>103,314,594</u>	<u>151,783</u>
Deferred inflows of resources:				
Pension (Note 15)	42,485	47,807	90,292	1,474
OPEB (Note 16)	3,700	4,225	7,925	126
Total deferred inflows of resources	<u>46,185</u>	<u>52,032</u>	<u>98,217</u>	<u>1,600</u>
Net position:				
Net investment in capital assets	41,506,482	11,819,984	53,326,466	-
Unrestricted (deficit)	4,566,231	17,587,870	22,154,101	(95,957)
Total net position (deficit)	<u>\$ 46,072,713</u>	<u>\$ 29,407,854</u>	<u>75,480,567</u>	<u>\$ (95,957)</u>
Adjustment to reflect the consolidation of the internal service fund's activity related to enterprise funds			(2,729)	
Net position of business-type activities			<u>\$ 75,477,838</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, 2019

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Operating revenues:				
Charges for services	\$ 7,669,647	\$ 8,266,996	\$ 15,936,643	\$ 87,173
Other	49,276	41,182	90,458	915
Total operating revenues	<u>7,718,923</u>	<u>8,308,178</u>	<u>16,027,101</u>	<u>88,088</u>
Operating expenses:				
Personal services	2,834,330	3,126,093	5,960,423	90,132
Contract services	2,681,237	3,308,682	5,989,919	8,454
Materials and supplies	1,206,086	393,078	1,599,164	1,460
Utilities expense	396,495	516,442	912,937	5,645
Depreciation	2,126,675	2,673,782	4,800,457	-
Other	70,738	113,241	183,979	1,118
Total operating expenses	<u>9,315,561</u>	<u>10,131,318</u>	<u>19,446,879</u>	<u>106,809</u>
Operating income (loss)	<u>(1,596,638)</u>	<u>(1,823,140)</u>	<u>(3,419,778)</u>	<u>(18,721)</u>
Nonoperating revenues (expenses):				
Interest revenue	9,468	196	9,664	-
Interest and fiscal charges	(737,397)	(2,592,940)	(3,330,337)	-
Loss on disposal of capital assets	(30,294)	(2,040)	(32,334)	-
Note issuance costs	-	(3,263)	(3,263)	-
Total nonoperating revenues (expenses)	<u>(758,223)</u>	<u>(2,598,047)</u>	<u>(3,356,270)</u>	<u>-</u>
Income (loss) before capital contributions and special items	(2,354,861)	(4,421,187)	(6,776,048)	(18,721)
Capital contributions	155,652	85,867	241,519	-
Special item: Ballville dam removal (Note 21)	(227,287)	-	(227,287)	-
Change in net position	(2,426,496)	(4,335,320)	(6,761,816)	(18,721)
Net position (deficit) at beginning of year	<u>48,499,209</u>	<u>33,743,174</u>		<u>(77,236)</u>
Net position (deficit) at end of year	<u>\$ 46,072,713</u>	<u>\$ 29,407,854</u>		<u>\$ (95,957)</u>
Adjustment to reflect the consolidation of the internal service fund's activity related to enterprise funds			(1,359)	
Change in net position of business-type activities.			<u>\$ (6,763,175)</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, 2019

	<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	\$ 7,908,027	\$ 8,688,967	\$ 16,596,994	\$ 87,173
Cash received from other operations	72,405	40,877	113,282	907
Cash payments for personal services	(2,200,180)	(2,475,441)	(4,675,621)	(69,892)
Cash payments for contractual services	(1,251,793)	(1,728,675)	(2,980,468)	(8,454)
Cash payments for materials and supplies.	(1,281,324)	(417,458)	(1,698,782)	(1,460)
Cash payments for utilities expense.	(408,805)	(524,040)	(932,845)	(6,249)
Cash payments for other expenses	(91,712)	(86,431)	(178,143)	(1,118)
Net cash provided by operating activities	<u>2,746,618</u>	<u>3,497,799</u>	<u>6,244,417</u>	<u>907</u>
Cash flows from noncapital financing activities:				
Cash payments for Ballville dam removal (Note 21)	(285,359)	-	(285,359)	-
Net cash (used in) noncapital financing activities.	<u>(285,359)</u>	<u>-</u>	<u>(285,359)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets.	(1,502,468)	(543,814)	(2,046,282)	-
Cash received from the sale of capital assets	41	1,330	1,371	-
Cash payments for principal retirement.	(2,173,705)	(1,336,869)	(3,510,574)	-
Cash payments for interest and fiscal charges	(774,146)	(2,574,932)	(3,349,078)	-
Cash received from premium on bond anticipation notes	-	8,790	8,790	-
Cash payments for bond anticipation note issue costs.	-	(3,263)	(3,263)	-
Cash received from bond anticipation note issuance.	-	1,191,020	1,191,020	-
Net cash (used in) capital and related financing activities.	<u>(4,450,278)</u>	<u>(3,257,738)</u>	<u>(7,708,016)</u>	<u>-</u>
Cash flows from investing activities:				
Cash received from interest earned.	9,468	196	9,664	-
Net increase (decrease) in cash and cash equivalents	(1,979,551)	240,257	(1,739,294)	907
Cash and cash equivalents at beginning of year	<u>4,974,629</u>	<u>20,578,042</u>	<u>25,552,671</u>	<u>19,809</u>
Cash and cash equivalents at end of year	<u>\$ 2,995,078</u>	<u>\$ 20,818,299</u>	<u>\$ 23,813,377</u>	<u>\$ 20,716</u>

- - Continued

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	<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)	\$ (1,596,638)	\$ (1,823,140)	\$ (3,419,778)	\$ (18,721)
Adjustments:				
Depreciation	2,126,675	2,673,782	4,800,457	-
Construction in progress disposals not capitalized.	1,443,692	1,587,990	3,031,682	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Decrease in accounts receivable	438,430	423,107	861,537	-
(Increase) in intergovernmental receivable	(200,271)	(1,441)	(201,712)	(8)
(Increase) in materials and supplies inventory	(87,944)	(29,192)	(117,136)	-
Decrease in net pension asset	1,544	1,894	3,438	54
Decrease in prepayments	2,605	3,044	5,649	97
(Increase) in deferred outflows - pensions	(539,901)	(544,841)	(1,084,742)	(17,438)
(Increase) in deferred outflows - OPEB	(21,549)	(24,843)	(46,392)	(836)
Increase (decrease) in accounts payable	(15,025)	16,767	1,742	(604)
(Decrease) in accrued wages and benefits.	(5,261)	(6,507)	(11,768)	(195)
(Decrease) in compensated absences payable	(1,924)	(33,921)	(35,845)	-
(Decrease) in intergovernmental payable	(726)	(726)	(1,452)	-
Increase (decrease) in pension and postemployment benefits payable	124	(1,125)	(1,001)	(11)
Increase in refundable deposits liability.	4,275	-	4,275	-
Increase in net pension liability	1,404,039	1,501,064	2,905,103	46,169
Increase in net OPEB liability	235,395	268,814	504,209	7,992
(Decrease) in deferred inflows - pensions	(360,582)	(421,181)	(781,763)	(12,865)
(Decrease) in deferred inflows - OPEB	(80,340)	(91,746)	(172,086)	(2,727)
Net cash provided by operating activities	<u>\$ 2,746,618</u>	<u>\$ 3,497,799</u>	<u>\$ 6,244,417</u>	<u>\$ 907</u>

Noncash Transactions:

During 2019, the water fund received contributed capital assets with a cost of \$155,652 from governmental activities.
 During 2019 and 2018, the water fund purchased \$685,700 and \$240,075, respectively, in capital assets on account.
 During 2019 and 2018, the sewer fund purchased \$503,974 and \$229,611, respectively, in capital assets on account.
 During 2019, the water fund disposed of \$1,443,692 of construction in progress that was not capitalized.
 During 2019, the sewer fund disposed of \$1,587,990 of construction in progress that was not capitalized.
 During 2019, the sewer fund had \$85,867 of outstanding OWDA loans forgiven by the OWDA.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF FIUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Custodial
Assets:	
Equity in pooled cash and investments.	\$ 64,213
Cash in segregated accounts	7,975
Receivables (net of allowances for uncollectibles):	
Accounts	1,838
Total assets	74,026
Liabilities:	
Due to other governments	1,488
Total liabilities	1,488
Net position:	
Restricted for individuals, organizations and other governments .	72,538
Total net position	\$ 72,538

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF FREMONT
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Custodial
Additions:	
Fines and forfeitures for other governments	\$ 1,086,669
Sewer surcharges collected for other governments.	636,961
Total additions	1,723,630
Deductions:	
Fines and forfeitures distributions to other governments	1,079,944
Sewer surcharges distributions to other governments.	618,791
Total deductions	1,698,735
Net change in fiduciary net position	24,895
Net position beginning of year (restated - Note 3)	47,643
Net position end of year	\$ 72,538

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, sewer, health and social services, culture recreation, public improvements, planning and zoning and general administration services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation - Fund Accounting

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

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. On the statement of activities, interfund services provided and used are not eliminated in the process of consolidation.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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.

The following are the City's major governmental funds:

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.

Capital improvements fund - The capital improvements fund accounts for resources that are restricted for the acquisition, construction, or improvement of capital facilities and other capital assets.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditure for debt service principal and interest and (b) financial resources that are restricted or committed to an expenditure for specified purposes other than debt service.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's only fiduciary funds are custodial funds. The City's custodial funds account for various funds held for Municipal Court activity, including Ohio Highway Patrol portion of Municipal Court fines, 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.

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 and fiduciary 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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.

E. Basis of Accounting

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

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

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

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 and Note 16 for deferred outflows of resources related the City's net pension liability and net OPEB liability, respectively.

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, 2019, but which were levied to finance 2020 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 and Note 16 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

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 custodial 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 2019.

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 2019.

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 2019, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), STAR Plus, Federal Home Loan Banks (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Farm Credit Bank (FFCB) securities, negotiable certificates of deposit (negotiable CD's), U.S. Treasury notes, and a U.S. Government money market fund. Except for investments in STAR Ohio, investments are reported at fair value which is based on quoted market prices. Investments in STAR Ohio are reported at amortized cost.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

During 2019, the City invested in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

During 2019, the City invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but 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 2019, 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 \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 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 2019 was \$1,048,073, which includes \$926,120 assigned from other City funds.

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

H. Loans Receivable

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

I. Inventories of Materials and Supplies

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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

K. Compensated Absences

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

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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. Interfund Activity

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

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

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.

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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 2020 budget.

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

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

O. Restricted Assets

Customer deposits are held in the water fund to assure payment of utility bills. At December 31, 2019, the City held \$97,170 in restricted customer deposits. These restricted assets are equally offset by a restricted payable so there is no effect on net position of the water fund.

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

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

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

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

Q. Estimates

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 2019, the water enterprise fund received capital asset contributions with a net book value of \$155,652 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. In 2019, the City reported a special item for continued financial transactions related to the removal of Ballville dam (see Note 21).

U. Pensions/Other Postemployment Benefits (OPEB)

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

V. Prepayments

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 – ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For the year ended December 31, 2019, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following statements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*

Certain provisions in the following statements are postponed by one year:

- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*

The following statement is postponed by 18 months:

- Statement No. 87, *Leases*

For 2019, the City has early implemented GASB Statement No. 83, "*Certain Asset Retirement Obligations*", GASB Statement No. 84, "*Fiduciary Activities*", GASB Statement No. 88, "*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*" and GASB Statement No. 90, "*Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61*".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while one fund has been reclassified as a governmental fund.

The implementation of GASB Statement No. 84 did not have an effect on the net position of the governmental activities, business-type activities, or the enterprise funds as previously reported. It also did not have an effect on the fund balance of the governmental funds as previously reported. Due to the implementation of GASB Statement No.84, the new classification of custodial funds is reporting a beginning net position of \$47,643. Also, related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2018, agency funds reported assets and liabilities of \$56,000.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the City, however, certain disclosures were added related to the City's debt.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balances at December 31, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
SCIP	\$ 29,606

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
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 deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, 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 \$97,170 in restricted assets for refundable deposits from customers of the water fund. This amount is included in the "Deposits with Financial Institutions" below.

A. Cash in Segregated Accounts

At year end, \$7,975 was on deposit in segregated accounts for the Municipal Court and small business checking account. These accounts are included in the total amount of "Deposits with Financial Institutions" reported below; however, this amount is not part of the internal cash pool reported on the statement of net position and the governmental funds balance sheet as "equity in pooled cash and investments".

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At December 31, 2019, the carrying amount of all City deposits was \$8,986,881 and the bank balance of all City deposits was \$9,390,319. Of the bank balance, \$3,039,967 was covered by the FDIC and \$6,350,352 was covered by the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the City's deposits were collateralized through participation in the OPCS. Although 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, 2019, the City had the following investments and maturities:

Measurement/ <u>Investment type</u>	Measurement <u>Value</u>	Investment Maturities			
		6 months or <u>less</u>	7 to 12 <u>months</u>	19 to 24 <u>months</u>	Greater than <u>24 months</u>
<i>Net Asset Value (NAV):</i>					
STAR Ohio	\$ 5,803,022	\$ 5,803,022	\$ -	\$ -	\$ -
<i>Fair value:</i>					
FHLMC	6,228,506	749,700	2,150,002	1,245,972	2,082,832
FNMA	1,879,744	-	1,514,328	-	365,416
FHLB	1,625,151	-	1,250,125	-	375,026
FFCB	6,149,583	-	-	-	6,149,583
U.S. Treasury Note	1,060,595	-	-	-	1,060,595
Negotiable CD	5,781,844	247,279	1,238,593	43,033	4,252,939
U.S. Government Money Market Mutual funds	<u>280,447</u>	<u>280,447</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,808,892</u>	<u>\$ 7,080,448</u>	<u>\$ 6,153,048</u>	<u>\$ 1,289,005</u>	<u>\$ 14,286,391</u>

The weighted average maturity of investments is 2.23 years.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Credit Risk: The City's investments in federal agency securities and U.S. Treasury notes were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The City's negotiable CD's were not rated but are fully insured by the FDIC.

STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. 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, 2019, is 60 days or less.

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, 2019:

<u>Measurement/ Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Net Asset Value (NAV):</i>		
STAR Ohio	\$ 5,803,022	20.14
<i>Fair value:</i>		
FHLMC	6,228,506	21.62
FNMA	1,879,744	6.52
FHLB	1,625,151	5.64
FFCB	6,149,583	21.35
U.S. Treasury Note	1,060,595	3.68
Negotiable CD	5,781,844	20.07
U.S. Government Money Market Mutual funds	<u>280,447</u>	<u>0.98</u>
Total	<u>\$ 28,808,892</u>	<u>100.00</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 8,986,881
Investments	28,808,892
Cash in segregated accounts	<u>7,975</u>
Total	<u>\$ 37,803,748</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 13,918,183
Business-type activities	23,813,377
Custodial funds	<u>72,188</u>
Total	<u>\$ 37,803,748</u>

NOTE 5 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2019 consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	
Capital improvements fund	\$ 1,375,000
Nonmajor governmental funds	<u>1,114,942</u>
Total	<u>\$ 2,489,942</u>

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

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

NOTE 6 - PROPERTY TAXES

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 - PROPERTY TAXES - (Continued)

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. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 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, 2019 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 2019 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, 2019 was \$3.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2019 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 148,012,480
Commercial/industrial/mineral	98,298,230
 <u>Public utility</u>	
Real	81,190
Personal	33,961,310
Total assessed value	<u>\$ 280,353,210</u>

NOTE 7 - LOCAL INCOME TAX

The City levies and collects an income tax of 1.5 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax revenue is credited to the general fund and amounted to \$9,942,472 in 2019.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - RECEIVABLES

Receivables at December 31, 2019 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, 2019.

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	\$ 2,420,434	\$ -
Property and other local taxes	827,453	-
Accounts	85,907	1,729,817
Loans	287,126	-
Accrued interest	102,077	-
Due from other governments	<u>971,383</u>	<u>4,167,535</u>
Total	<u>\$ 4,694,380</u>	<u>\$ 5,897,352</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). \$3,925,665 of the business-type activities receivable is further described in Note 21.

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 2019, there were loans to seven businesses with a total principal balance of \$287,126. \$55,789 is the amount due within one year and \$231,337 is due in more than one year.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

<u>Governmental activities:</u>	<u>Balance</u> 12/31/18	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/19
<i>Capital assets, not being depreciated:</i>				
Land	\$ 809,559	\$ 18,500	\$ -	\$ 828,059
Construction-in-progress	<u>2,280,889</u>	<u>2,429,460</u>	<u>(2,502,254)</u>	<u>2,208,095</u>
<i>Total capital assets, not being depreciated</i>	<u>3,090,448</u>	<u>2,447,960</u>	<u>(2,502,254)</u>	<u>3,036,154</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,704,414	26,350	-	4,730,764
Buildings and improvements	12,734,830	755,318	(54,111)	13,436,037
Machinery and equipment	7,877,262	1,341,735	(72,950)	9,146,047
Infrastructure	<u>21,537,063</u>	<u>152,734</u>	<u>-</u>	<u>21,689,797</u>
<i>Total capital assets, being depreciated</i>	<u>46,853,569</u>	<u>2,276,137</u>	<u>(127,061)</u>	<u>49,002,645</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,975,155)	(178,161)	-	(3,153,316)
Buildings and improvements	(7,332,557)	(392,291)	43,289	(7,681,559)
Machinery and equipment	(4,599,796)	(409,139)	49,098	(4,959,837)
Infrastructure	<u>(13,030,258)</u>	<u>(681,428)</u>	<u>-</u>	<u>(13,711,686)</u>
<i>Total accumulated depreciation</i>	<u>(27,937,766)</u>	<u>(1,661,019)</u>	<u>92,387</u>	<u>(29,506,398)</u>
Total capital assets, being depreciated, net	<u>18,915,803</u>	<u>615,118</u>	<u>(34,674)</u>	<u>19,496,247</u>
Total capital assets, net	<u>\$ 22,006,251</u>	<u>\$ 3,063,078</u>	<u>\$ (2,536,928)</u>	<u>\$ 22,532,401</u>

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

<u>Governmental activities:</u>	
General government	\$ 91,328
Security of persons and property	267,859
Transportation	834,072
Leisure time activities	449,933
Economic development	<u>17,827</u>
Total depreciation expense	<u>\$ 1,661,019</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - CAPITAL ASSETS – (Continued)

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/19</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 977,180	\$ -	\$ -	\$ 977,180
Construction-in-progress	<u>4,317,673</u>	<u>1,735,111</u>	<u>(4,720,194)</u>	<u>1,332,590</u>
<i>Total capital assets, not being depreciated</i>	<u>5,294,853</u>	<u>1,735,111</u>	<u>(4,720,194)</u>	<u>2,309,770</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	46,996,562	149,362	-	47,145,924
Buildings and improvements	94,528,075	177,152	(733,772)	93,971,455
Machinery and equipment	17,644,060	931,966	(125,338)	18,450,688
Infrastructure	<u>28,248,816</u>	<u>1,616,843</u>	<u>-</u>	<u>29,865,659</u>
<i>Total capital assets, being depreciated</i>	<u>187,417,513</u>	<u>2,875,323</u>	<u>(859,110)</u>	<u>189,433,726</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(4,950,882)	(1,086,362)	-	(6,037,244)
Buildings and improvements	(18,972,589)	(2,239,354)	707,228	(20,504,715)
Machinery and equipment	(6,521,975)	(928,238)	118,177	(7,332,036)
Infrastructure	<u>(10,958,318)</u>	<u>(546,503)</u>	<u>-</u>	<u>(11,504,821)</u>
<i>Total accumulated depreciation</i>	<u>(41,403,764)</u>	<u>(4,800,457)</u>	<u>825,405</u>	<u>(45,378,816)</u>
Total capital assets, being depreciated, net	<u>146,013,749</u>	<u>(1,925,134)</u>	<u>(33,705)</u>	<u>144,054,910</u>
Total capital assets, net	<u>\$ 151,308,602</u>	<u>\$ (190,023)</u>	<u>\$ (4,753,899)</u>	<u>\$ 146,364,680</u>

Construction in progress represents costs of the water and sewer funds relating to a chemical feed building, water tower, bio solids project, the Garrison Street Reconstruction Project, and a waterline project, as of December 31, 2019.

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	\$ 2,126,675
Sewer fund	<u>2,673,782</u>
Total depreciation expense	<u>\$ 4,800,457</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - LEASE-PURCHASE AGREEMENT

The lease purchase agreements are direct borrowings that have terms negotiated directly between the City and the vendor and are not offered for public sale.

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 50% from the water fund and 50% from the sewer fund.

In 2018, the City entered into a lease-purchase agreement to finance the purchase of energy efficient equipment. Principal and interest payments are made 46% from the capital improvement fund and 54% from the water fund. In the event of default, the lessor may declare all rental payments payable by the City and other amounts payable by the City hereunder to the end of the then current original term or renewal term to be immediately due and payable.

In 2019, the City entered into a lease-purchase agreement to finance the purchase of fitness equipment. Principal and interest payments are made from the public recreation fund (a nonmajor governmental fund).

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, 2019:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Buiness-type Activities</u>
2020	\$ 248,963	\$ 284,934
2021	248,963	284,935
2022	248,963	284,934
2023	243,242	284,935
2024	242,722	284,934
2025-2029	1,213,609	1,424,672
2030-2033	<u>972,959</u>	<u>1,137,666</u>
Total minimum lease payments	3,419,421	3,987,010
Less: amount representing interest	<u>(757,987)</u>	<u>(887,861)</u>
Present value of future minimum lease payments	<u>\$ 2,661,434</u>	<u>\$ 3,099,149</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental activities

The City's governmental activities long-term obligations at December 31, 2019 were as follows.

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/19</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Community center	\$ 340,000	\$ -	\$ (340,000)	\$ -	\$ -
Police and fire pension	<u>400,000</u>	<u>-</u>	<u>(65,000)</u>	<u>335,000</u>	<u>65,000</u>
Total general obligation bonds	<u>740,000</u>	<u>-</u>	<u>(405,000)</u>	<u>335,000</u>	<u>65,000</u>
<u>Bond anticipation notes:</u>					
Street improvement - series 2019	<u>-</u>	<u>1,068,980</u>	<u>-</u>	<u>1,068,980</u>	<u>1,068,980</u>
Total bond anticipation notes	<u>-</u>	<u>1,068,980</u>	<u>-</u>	<u>1,068,980</u>	<u>1,068,980</u>
<u>Other long-term obligations:</u>					
Net pension liability	12,386,011	5,562,430	-	17,948,441	-
Net OPEB liability	10,610,610	431,357	(7,151,610)	3,890,357	-
Lease purchase agreement (direct borrowing)	2,787,685	22,340	(148,591)	2,661,434	154,301
Compensated absences	<u>690,890</u>	<u>123,656</u>	<u>(88,760)</u>	<u>725,786</u>	<u>106,926</u>
Total	27,215,196	7,208,763	(7,793,961)	26,629,998	1,395,207
Unamortized premium on bonds	<u>7,934</u>	<u>-</u>	<u>(6,393)</u>	<u>1,541</u>	<u>-</u>
Total long-term obligations	<u>\$ 27,223,130</u>	<u>\$ 7,208,763</u>	<u>\$ (7,800,354)</u>	<u>\$ 26,631,539</u>	<u>\$ 1,395,207</u>

Community Center General Obligation 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. These bonds matured on September 1, 2019. The general obligation bonds are supported by the full faith and credit of the City.

Police and Fire Pension General Obligation 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. The general obligation bonds are supported by the full faith and credit of the City.

**CITY OF FREMONT
SANDUSKY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Street Improvement Notes, Series 2019

On June 26, 2019, the City issued \$1,068,980 in notes related to governmental activities. The proceeds of these notes were used to pay a portion of the costs of improvements to Garrison Street, which included widening, pavement and curb replacement, catch basins, and waterlines. The notes bear an interest rate of 2.25%. These bonds will mature on June 26, 2020. The notes were refinanced on June 25, 2020 (see Note 24).

Lease Purchase Agreements

See Note 11 for information on the City's lease purchase agreements.

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 and Net OPEB Liability

The City pays obligations related to employee compensation from the fund benefitting from their service. See Note 15 and Note 16 for further information.

THIS SPACE LEFT INTENTIONALLY BLANK

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-type activities

The City's business-type activities long-term obligations at December 31, 2019 were as follows.

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/19</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>General obligation bonds</u>					
Water refunding series 2012	\$ 3,665,000	\$ -	\$ (620,000)	\$ 3,045,000	\$ 630,000
Total	<u>3,665,000</u>	<u>-</u>	<u>(620,000)</u>	<u>3,045,000</u>	<u>630,000</u>
<u>OPWC loans (direct borrowing):</u>					
Sewer - series 2001	30,998	-	(10,333)	20,665	5,166
Sewer - series 2004	57,798	-	(8,892)	48,906	4,446
Water - series 2017	143,442	-	(7,550)	135,892	3,775
Total	<u>232,238</u>	<u>-</u>	<u>(26,775)</u>	<u>205,463</u>	<u>13,387</u>
<u>OWDA loans (direct borrowing):</u>					
Dam removal project	2,642,384	-	(148,137)	2,494,247	153,518
Water pollution control center expansion	62,916,392	-	(1,243,715)	61,672,677	655,454
Water reservoir phase 1	4,216,803	-	(264,639)	3,952,164	273,418
Water reservoir phase 2	1,222,028	-	(77,398)	1,144,630	79,855
Off stream raw water - supply phase 2A	673,493	-	(44,734)	628,759	46,154
Water reservoir phase 1 - supplement	15,227,329	-	(978,879)	14,248,450	1,007,519
Total	<u>86,898,429</u>	<u>-</u>	<u>(2,757,502)</u>	<u>84,140,927</u>	<u>2,215,918</u>
<u>Other long-term obligations</u>					
Net pension liability	3,660,522	2,905,103	-	6,565,625	-
Net OPEB liability	2,416,469	504,209	-	2,920,678	-
Lease-purchase agreement (direct borrowing)	3,291,313	-	(192,164)	3,099,149	174,841
Compensated absences	436,436	14,370	(50,215)	400,591	77,848
Total	<u>100,600,407</u>	<u>3,423,682</u>	<u>(3,646,656)</u>	<u>100,377,433</u>	<u>3,111,994</u>
Unamortized premium on bonds	<u>200,943</u>	<u>-</u>	<u>(33,962)</u>	<u>166,981</u>	<u>-</u>
Total long-term obligations	<u>\$ 100,801,350</u>	<u>\$ 3,423,682</u>	<u>\$ (3,680,618)</u>	<u>\$100,544,414</u>	<u>\$ 3,111,994</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Series 2012 Water Refunding General Obligation Bond

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, 2019 is \$3,045,000. 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, 2019 is \$3,290,000; however, this amount is not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding. The general obligation bonds are supported by the full faith and credit of the City.

Ohio Public Works Commission (OPWC) Loans

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

OPWC loans are direct borrowings that have terms negotiated directly between the City and the OPWC and are not offered for public sale. In the event of default, the OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the City for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

On April 7, 2020, OPWC deferred all July 2020 loan payments with no payment due until January 2021 billing cycle with a six-month deferment for the life of the loan. This is reflected in the due within one year amount and the amortization schedules below.

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.

The City has pledged future water and sewer revenues to repay OWDA loans. The loans are payable solely from water and sewer fund revenues and are payable through a future date which has yet to be finalized. Annual principal and interest payments on the loans are expected to require 132.14 percent of net revenues and 36.38 percent of total revenues. The total principal and interest remaining to be paid on the loans is \$127,095,523. Principal and interest paid for the current year were \$5,830,617, total net revenues were \$843,079 and total revenues were \$16,027,101.

OWDA loans are direct borrowings that have terms negotiated directly between the City and the OWDA and are not offered for public sale. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

C. Future Debt Service Requirements

Principal and interest requirements to retire the general obligation bonds, the OPWC loans, and the police and fire pension liability as of December 31, 2019 are as follows:

	Bond Anticipation Note Street Improvement		Pension Liability - Police and Fire Pension
Year Ending	<u>Principal</u> <u>Interest</u> <u>Total</u>	Year Ending	<u>Principal</u> <u>Interest</u> <u>Total</u>
<u>December 31.</u>		<u>December 31.</u>	
2020	<u>\$ 1,068,980</u> <u>\$ 24,052</u> <u>\$ 1,093,032</u>	2020	\$ 65,000 \$ 8,395 \$ 73,395
		2021	65,000 7,290 72,290
		2022	65,000 5,535 70,535
		2023	70,000 3,780 73,780
		2024	<u>70,000</u> <u>1,890</u> <u>71,890</u>
		Total	<u>\$ 335,000</u> <u>\$ 26,890</u> <u>\$ 361,890</u>
Year Ending	General Obligation Bonds - Water Series 2012	Year Ending	OPWC Loans Water Series 2017
<u>December 31.</u>	<u>Principal</u> <u>Interest</u> <u>Total</u>	<u>December 31.</u>	<u>Principal</u> <u>Interest</u> <u>Total</u>
2020	\$ 630,000 \$ 60,900 \$ 690,900	2020	\$ 3,775 \$ - \$ 3,775
2021	635,000 48,300 683,300	2021	11,324 - 11,324
2022	645,000 35,600 680,600	2022	7,549 - 7,549
2023	660,000 22,700 682,700	2023	7,550 - 7,550
2024	<u>475,000</u> <u>9,500</u> <u>484,500</u>	2024	7,550 - 7,550
Total	<u>\$ 3,045,000</u> <u>\$ 177,000</u> <u>\$ 3,222,000</u>	2025 - 2029	37,748 - 37,748
		2030 - 2034	37,748 - 37,748
		2035 - 2038	<u>22,648</u> - <u>22,648</u>
		Total	<u>\$ 135,892</u> <u>\$ -</u> <u>\$ 135,892</u>
Year Ending	OPWC Loans - Sewer - Series 2001	Year Ending	OPWC Loans - Sewer - Series 2004
<u>December 31.</u>	<u>Principal</u> <u>Interest</u> <u>Total</u>	<u>December 31.</u>	<u>Principal</u> <u>Interest</u> <u>Total</u>
2020	\$ 5,166 \$ - \$ 5,166	2020	\$ 4,446 \$ - \$ 4,446
2021	<u>15,499</u> - <u>15,499</u>	2021	13,338 - 13,338
Total	<u>\$ 20,665</u> <u>\$ -</u> <u>\$ 20,665</u>	2022	8,892 - 8,892
		2023	8,892 - 8,892
		2024	8,892 - 8,892
		2025	<u>4,446</u> - <u>4,446</u>
		Total	<u>\$ 48,906</u> <u>\$ -</u> <u>\$ 48,906</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Year Ending December 31,	OWDA Loans		
	Principal	Interest	Total
2020	\$ 2,215,918	\$ 1,893,303	\$ 4,109,221
2021	2,960,715	3,021,813	5,982,528
2022	3,067,248	2,918,656	5,985,904
2023	3,177,765	2,811,665	5,989,430
2024	3,292,420	2,700,694	5,993,114
2025 - 2029	18,338,320	11,688,528	30,026,848
2030 - 2034	15,162,959	8,468,942	23,631,901
2035 - 2039	13,108,243	5,975,175	19,083,418
2040 - 2044	16,122,958	3,137,924	19,260,882
2045 - 2046	6,694,381	337,894	7,032,275
Total	<u>\$ 84,140,927</u>	<u>\$ 42,954,594</u>	<u>\$ 127,095,521</u>

D. Legal Debt Margin

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 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, 2019, the City's total debt margin was \$29,651,003 and the unvoted debt margin was \$15,419,427.

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, 2019, the governmental activities liability for compensated absences was \$725,786, the business-type activities liability for compensated absences was \$400,591, and the City's total liability for compensated absences was \$1,126,377.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2018 (the latest information available), PEP retained \$500,000 for casualty claims and \$250,000 for property claims. Settlements have not exceeded insurance coverage in each of the past three years and there has not been a significant reduction in coverage from the prior year.

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

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, 2018 (latest information available) and 2017:

<u>Casualty & Property Coverage</u>	<u>2018</u>	<u>2017</u>
Assets	\$49,921,998	\$44,452,326
Liabilities	<u>(14,676,199)</u>	<u>(13,004,011)</u>
Net Position	<u>\$35,245,799</u>	<u>\$31,448,315</u>

At December 31, 2018 and 2017, respectively, the liabilities above include approximately \$13.0 million and \$11.8 million of estimated incurred claims payable. At December 31, 2018 and 2017, the assets above include approximately \$11.5 million and \$11.3 million of unpaid claims to be billed. The Pool's membership increased from 527 members in 2017 to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018 (the latest information available), the City's share of these unpaid claims collectible in future years is approximately \$160,258.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 14 - RISK MANAGEMENT - (Continued)

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

<u>Contributions to PEP</u>	
2018	\$254,377
2017	\$242,596

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/asset 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.00% 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 3.00% 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee ***	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits ****	0.0 %
Total Employer	14.0 %
Employee	10.0 %

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

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 \$847,443 for 2019. Of this amount, \$71,445 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 OP&F 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 July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit. See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F 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 3.00% 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 3.00% of their base pension or disability benefit.

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 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 \$756,439 for 2019. Of this amount, \$63,529 is reported as pension and postemployment benefits payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.04329500%	0.01583100%	0.01123800%	0.15078500%	
Proportion of the net pension liability/asset current measurement date	<u>0.04396000%</u>	<u>0.01363600%</u>	<u>0.00581900%</u>	<u>0.15282200%</u>	
Change in proportionate share	<u>0.00066500%</u>	<u>-0.00219500%</u>	<u>-0.00541900%</u>	<u>0.00203700%</u>	
Proportionate share of the net pension liability	\$ 12,039,753	\$ -	\$ -	\$ 12,474,313	\$ 24,514,066
Proportionate share of the net pension asset	-	(15,248)	(133)	-	(15,381)
Pension expense	2,746,515	4,231	(34)	1,585,769	4,336,481

Of the City's proportionate share of the net pension liability of \$24,514,066, \$17,948,441 is reported in the governmental activities and \$6,565,625 is reported in the business-type activities.

Of the City's proportionate share of the net pension asset of \$15,381, \$6,993 is reported in the governmental activities and \$8,388 is reported in the business-type activities.

Of the City's total pension expense of \$4,336,481, \$2,832,310 is reported in the governmental activities (including \$23,253 related to the internal service fund) and \$1,504,171 is reported in the business-type activities.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ 554	\$ -	\$ 552	\$ 512,519	\$ 513,625
Net difference between projected and actual earnings on pension plan investments	1,634,132	3,284	45	1,536,825	3,174,286
Changes of assumptions	1,048,090	3,404	42	330,711	1,382,247
Changes in employer's proportionate percentage/difference between employer contributions	117,892	-	-	130,363	248,255
Contributions subsequent to the measurement date	840,703	5,719	1,021	756,439	1,603,882
Total deferred outflows of resources	\$ 3,641,371	\$ 12,407	\$ 1,660	\$ 3,266,857	\$ 6,922,295
Deferred inflows of resources					
	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Differences between expected and actual experience	\$ 158,088	\$ 6,228	\$ -	\$ 11,648	\$ 175,964
Changes in employer's proportionate percentage/difference between employer contributions	2,028	-	-	406,752	408,780
Total deferred inflows of resources	\$ 160,116	\$ 6,228	\$ -	\$ 418,400	\$ 584,744

\$1,603,882 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, 2020. Of the total contributions made subsequent to the measurement date, \$1,141,746 relates to governmental activities (including \$7,333 related to the internal service fund) and \$462,136 relates to business-type activities.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2020	\$ 1,168,493	\$ 517	\$ 92	\$ 664,260	\$ 1,833,362
2021	560,469	(139)	85	321,170	881,585
2022	151,601	(72)	86	375,805	527,420
2023	759,989	955	101	691,762	1,452,807
2024	-	(389)	78	39,021	38,710
Thereafter	-	(412)	197	-	(215)
Total	\$ 2,640,552	\$ 460	\$ 639	\$ 2,092,018	\$ 4,733,669

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.50%
Actuarial cost method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018.

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 2018 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 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. 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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 17,786,216	\$ 12,039,753	\$ 7,264,390
Combined Plan	(5,045)	(15,248)	(22,636)
Member-Directed Plan	(58)	(133)	(233)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, 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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increase and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below.

Valuation date	1/1/18 with actuarial liabilities rolled forward to 12/31/18
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%, plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OP&F's Board and were effective beginning with the January 1, 2018 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 and Guidelines. 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 average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 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	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	120.00 %		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F'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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. 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 8.00%. 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 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 16,396,625	\$ 12,474,313	\$ 9,196,655

NOTE 16 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability 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 these estimates annually.

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 OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$408 for 2019. Of this amount, \$34 is reported as pension and postemployment benefits payable.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, 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 Government Accounting Standards Board (GASB) Statement No. 75.

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 information and required supplementary information for the plan. The report may be obtained by visiting the OP&F 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.

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 employer units, 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$18,059 for 2019. Of this amount, \$1,517 is reported as pension and postemployment benefits payable.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.04129000%	0.15078500%	
Proportion of the net OPEB liability current measurement date	<u>0.04156700%</u>	<u>0.15282200%</u>	
Change in proportionate share	<u>0.00027700%</u>	<u>0.00203700%</u>	
Proportionate share of the net OPEB liability	\$ 5,419,356	\$ 1,391,679	\$ 6,811,035
OPEB expense	\$ 539,244	\$ (6,926,588)	\$ (6,387,344)

Of the City's proportionate share of the net OPEB liability of \$6,811,035, \$3,890,357 is reported in the governmental activities and \$2,920,678 is reported in the business-type activities.

Of the City's total OPEB expense of (\$6,387,344), (\$6,673,295) is reported in the governmental activities (including \$4,432 related to the internal service fund) and \$285,951 is reported in the business-type activities.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,835	\$ -	\$ 1,835
Net difference between projected and actual earnings on OPEB plan investments	248,445	47,111	295,556
Changes of assumptions	174,727	721,379	896,106
Changes in employer's proportionate percentage/difference between employer contributions	48,631	90,706	139,337
Contributions subsequent to the measurement date	408	18,059	18,467
Total deferred outflows of resources	<u>\$ 474,046</u>	<u>\$ 877,255</u>	<u>\$ 1,351,301</u>
	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 14,704	\$ 37,286	\$ 51,990
Changes of assumptions	-	385,282	385,282
Changes in employer's proportionate percentage/difference between employer contributions	-	92,349	92,349
Total deferred inflows of resources	<u>\$ 14,704</u>	<u>\$ 514,917</u>	<u>\$ 529,621</u>

\$18,467 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Of the total contributions made subsequent to the measurement date, \$18,247 relates to governmental activities (including \$3 related to the internal service fund) and \$220 relates to business-type activities.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 232,636	\$ 60,931	\$ 293,567
2021	59,997	60,931	120,928
2022	41,145	60,932	102,077
2023	125,156	75,180	200,336
2024	-	52,716	52,716
Thereafter	-	33,589	33,589
Total	\$ 458,934	\$ 344,279	\$ 803,213

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 health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.50%
Municipal Bond Rate	
Current measurement date	3.71%
Prior Measurement date	3.31%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.25% ultimate in 2029
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60% for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 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	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 6,933,376	\$ 5,419,356	\$ 4,215,309

Sensitivity of the City/County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 5,209,176	\$ 5,419,356	\$ 5,661,425

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Current measurement date	4.66%
Prior measurement date	3.24%
Municipal Bond Rate:	
Current measurement date	4.13%
Prior measurement date	3.16%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five-year period ended December 31, 2016.

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return **</u>	<u>30 Year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation			
Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	<u>120.00 %</u>		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

OP&F'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 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total OPEB liability was calculated using the discount rate of 4.66%. A discount rate of 3.24% was used to measure the total OPEB liability at December 31, 2017. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66%), or one percentage point higher (5.66%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability	\$ 1,695,445	\$ 1,391,679	\$ 1,136,693

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Due to the change from a self-funded plan to the stipend plan, disclosure of the healthcare cost trend rate for OP&F is no longer available.

Changes Between Measurement Date and Report Date - Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current healthcare model to the stipend based healthcare model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Although the exact amount of these changes is not known, the overall decrease to the City's net OPEB liability is expected to be significant.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (250,219)
Net adjustment for revenue accruals	(73,215)
Net adjustment for expenditure accruals	(12,719)
Net adjustment for other sources/uses	(4,611)
Funds budgeted elsewhere	392,383
Adjustment for encumbrances	<u>383,802</u>
GAAP basis	<u>\$ 435,421</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.

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019.

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.

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	\$ 391,560
Capital improvement	1,303,523
Other governmental	<u>326,190</u>
Total	<u>\$ 2,021,273</u>

NOTE 20 - TAX ABATEMENTS

As of December 31, 2019, the City provides tax abatements through two programs: Community Reinvestment Area (CRA) and Enterprise Zone (Ezone). These programs relate to the abatement of property taxes.

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

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 20 - TAX ABATEMENTS - (Continued)

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

The City has entered into agreements to abate property taxes through these programs. During 2019, the City's property tax revenues were reduced as a result of these agreements as follows:

<u>Tax Abatement Program</u>	<u>City Taxes Abated</u>
CRA	\$ 8,086
Ezone	<u>12,617</u>
Total	<u>\$ 20,703</u>

NOTE 21 - SPECIAL ITEM

During 2019, the City reported a special item for grants and expenses related to the removal of the Ballville dam (the "Dam"), which is a continuation of the project activities reported in 2018. The City received a \$2 million U.S. Fish and Wildlife grant to assist with the removal costs. The remaining costs are financed through participation in the Water Resource Restoration Sponsor Program (WRRSP). The Ohio Environmental Protection Agency (Ohio EPA), in conjunction with the Ohio Water Development Authority (OWDA), administers the Water Pollution Control Loan Fund (WPCLF) and the Water Supply Revolving Loan Account (WSRLA). The WRRSP advances interest monies from the WPCLF sponsor projects to fund preservation and restoration of the state's water resources. In conjunction with the WRRSP, the City has reported a \$3,925,665 due from other governments receivable in both the Water fund and business-type activities related to reimbursable costs incurred by the City during 2019 and prior years and scheduled for reimbursement in 2020.

The City has reported the following revenues and expenses in the water fund and business-type activities related to the Dam removal project:

	<u>Amount</u>
WRRSP grant revenue	\$ 58,072
Dam removal expenses	<u>(285,359)</u>
Total Dam removal project, net	<u>\$ (227,287)</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 22 - FUND BALANCE

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

Fund balance	General	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ -	\$ -	\$ 213,222	\$ 213,222
Prepayments	83,147	-	13,205	96,352
Total nonspendable	<u>83,147</u>	<u>-</u>	<u>226,427</u>	<u>309,574</u>
Restricted:				
Debt service	-	-	362,878	362,878
Transporation projects	-	-	723,586	723,586
Court projects	-	-	456,742	456,742
Revolving loans	-	-	350,730	350,730
R.L. Walsh trust	-	-	768,824	768,824
Other purposes	-	-	487,101	487,101
Total restricted	<u>-</u>	<u>-</u>	<u>3,149,861</u>	<u>3,149,861</u>
Committed:				
Capital projects	-	5,387,638	443,875	5,831,513
Recreation	-	-	240,090	240,090
Municipal income tax	3,157,172	-	-	3,157,172
Total committed	<u>3,157,172</u>	<u>5,387,638</u>	<u>683,965</u>	<u>9,228,775</u>
Assigned:				
General government	73,592	-	-	73,592
Securities of persons and property	218,828	-	-	218,828
Public health and welfare	180	-	-	180
Community environment	9,691	-	-	9,691
Leisure time activities	42,556	-	-	42,556
Recreation trust	13,373	-	-	13,373
Subsequent year appropriations	577,424	-	-	577,424
Debt service	-	-	213,916	213,916
Total assigned	<u>935,644</u>	<u>-</u>	<u>213,916</u>	<u>1,149,560</u>
Unassigned (deficit)	<u>1,676,086</u>	<u>-</u>	<u>(29,606)</u>	<u>1,646,480</u>
Total fund balances	<u>\$ 5,852,049</u>	<u>\$ 5,387,638</u>	<u>\$ 4,244,563</u>	<u>\$ 15,484,250</u>

**CITY OF FREMONT
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 23 - SHORT-TERM NOTES PAYABLE

The City has the following short-term note payable activity during 2019:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/19</u>
<u>Enterprise Funds</u>						
Bond Anticipation Note						
Street Improvement Note - Series 2019	2.25%	6/26/20	\$ -	\$ 1,191,020	\$ -	\$ 1,191,020

On June 26, 2019, the City issued \$1,191,020 in the Sewer fund. The proceeds of the issuance were used to fund enterprise infrastructure improvements. The notes bear an interest rate of 2.25% and will mature on June 26, 2020.

NOTE 24 - SIGNIFICANT SUBSEQUENT EVENTS

A. COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

B. Note Issuance

On June 25, 2020 the City issued \$1,070,000 in Bond Anticipation Notes Series 2020 to refinance the Series 2019 Notes in the governmental activities. The Series 2020 BANs will mature June 25, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FREMONT
SANDUSKY COUNTY, OHIO**

SCHEDULES OF THE 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 SIX YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.043960%	0.043295%	0.042366%	0.042701%
City's proportionate share of the net pension liability	\$ 12,039,753	\$ 6,792,146	\$ 9,620,598	\$ 7,396,351
City's covered payroll	\$ 5,922,321	\$ 5,707,331	\$ 5,385,900	\$ 5,227,550
City's proportionate share of the net pension liability as a percentage of its covered payroll	203.29%	119.01%	178.63%	141.49%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.013636%	0.015831%	0.013653%	0.024830%
City's proportionate share of the net pension asset	\$ 15,248	\$ 21,551	\$ 7,599	\$ 12,083
City's covered payroll	\$ 58,321	\$ 64,838	\$ 90,375	\$ 81,633
City's proportionate share of the net pension asset as a percentage of its covered payroll	26.14%	33.24%	8.41%	14.80%
Plan fiduciary net position as a percentage of the total pension asset	126.64%	137.28%	116.55%	116.90%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.005819%	0.011238%	0.011047%	0.030099%
City's proportionate share of the net pension asset	\$ 133	\$ 392	\$ 46	\$ 115
City's covered payroll	\$ 33,270	\$ 60,760	\$ 103,158	\$ 94,308
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.40%	0.65%	0.04%	0.12%
Plan fiduciary net position as a percentage of the total pension asset	113.42%	124.46%	103.40%	103.91%

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 fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.042375%	0.042375%
\$ 5,110,899	\$ 4,995,460
\$ 5,606,342	\$ 5,080,531
91.16%	98.33%
86.45%	86.36%
0.023261%	0.023261%
\$ 8,956	\$ 2,441
\$ 85,025	\$ 92,938
10.53%	2.63%
114.83%	104.56%
n/a	n/a
n/a	n/a
n/a	n/a
n/a	n/a
n/a	n/a

**CITY OF FREMONT
SANDUSKY COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SIX YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
City's proportion of the net pension liability	0.15282200%	0.15078500%	0.15314500%	0.16453700%
City's proportionate share of the net pension liability	\$ 12,474,313	\$ 9,254,387	\$ 9,700,058	\$ 10,584,777
City's covered payroll	\$ 3,506,114	\$ 3,308,080	\$ 3,309,112	\$ 3,244,724
City's proportionate share of the net pension liability as a percentage of its covered payroll	355.79%	279.75%	293.13%	326.22%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	66.77%

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 fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.16301960%	0.16301960%
\$ 8,445,095	\$ 7,939,566
\$ 3,529,882	\$ 3,208,481
239.25%	247.46%
72.20%	73.00%

**CITY OF FREMONT
SANDUSKY COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 840,703	\$ 829,125	\$ 741,953	\$ 646,308
Contributions in relation to the contractually required contribution	<u>(840,703)</u>	<u>(829,125)</u>	<u>(741,953)</u>	<u>(646,308)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 6,005,021	\$ 5,922,321	\$ 5,707,331	\$ 5,385,900
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 5,719	\$ 8,165	\$ 8,429	\$ 10,845
Contributions in relation to the contractually required contribution	<u>(5,719)</u>	<u>(8,165)</u>	<u>(8,429)</u>	<u>(10,845)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 40,850	\$ 58,321	\$ 64,838	\$ 90,375
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 1,021	\$ 3,327	\$ 6,076	\$ 12,379
Contributions in relation to the contractually required contribution	<u>(1,021)</u>	<u>(3,327)</u>	<u>(6,076)</u>	<u>(12,379)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 10,210	\$ 33,270	\$ 60,760	\$ 103,158
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	12.00%

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 627,306	\$ 672,761	\$ 660,469	\$ 504,556	\$ 497,061	\$ 463,608
<u>(627,306)</u>	<u>(672,761)</u>	<u>(660,469)</u>	<u>(504,556)</u>	<u>(497,061)</u>	<u>(463,608)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,227,550	\$ 5,606,342	\$ 5,080,531	\$ 5,045,560	\$ 4,970,610	\$ 5,197,399
12.00%	12.00%	13.00%	10.00%	10.00%	8.92%
\$ 9,796	\$ 10,203	\$ 12,082	\$ 6,924	\$ 5,826	\$ 5,382
<u>(9,796)</u>	<u>(10,203)</u>	<u>(12,082)</u>	<u>(6,924)</u>	<u>(5,826)</u>	<u>(5,382)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 81,633	\$ 85,025	\$ 92,938	\$ 87,094	\$ 73,283	\$ 55,542
12.00%	12.00%	13.00%	7.95%	7.95%	9.69%
\$ 11,317					
<u>(11,317)</u>					
<u>\$ -</u>					
\$ 94,308					
12.00%					

**CITY OF FREMONT
SANDUSKY COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i>Police:</i>				
Contractually required contribution	\$ 389,916	\$ 382,131	\$ 348,117	\$ 347,013
Contributions in relation to the contractually required contribution	<u>(389,916)</u>	<u>(382,131)</u>	<u>(348,117)</u>	<u>(347,013)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,052,189	\$ 2,011,216	\$ 1,832,195	\$ 1,826,384
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 366,523	\$ 351,301	\$ 346,833	\$ 348,441
Contributions in relation to the contractually required contribution	<u>(366,523)</u>	<u>(351,301)</u>	<u>(346,833)</u>	<u>(348,441)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,559,672	\$ 1,494,898	\$ 1,475,885	\$ 1,482,728
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 348,937	\$ 374,445	\$ 287,288	\$ 248,290	\$ 245,226	\$ 247,179
<u>(348,937)</u>	<u>(374,445)</u>	<u>(287,288)</u>	<u>(248,290)</u>	<u>(245,226)</u>	<u>(247,179)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,836,511	\$ 1,970,763	\$ 1,808,739	\$ 1,947,373	\$ 1,923,341	\$ 1,938,659
19.00%	19.00%	15.88%	12.75%	12.75%	12.75%
\$ 330,930	\$ 366,393	\$ 285,314	\$ 246,301	\$ 239,539	\$ 254,503
<u>(330,930)</u>	<u>(366,393)</u>	<u>(285,314)</u>	<u>(246,301)</u>	<u>(239,539)</u>	<u>(254,503)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,408,213	\$ 1,559,119	\$ 1,399,742	\$ 1,427,832	\$ 1,388,632	\$ 1,475,380
23.50%	23.50%	20.38%	17.25%	17.25%	17.25%

**CITY OF FREMONT
SANDUSKY COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	2019	2018	2017
City's proportion of the net OPEB liability	0.041567%	0.041290%	0.040286%
City's proportionate share of the net OPEB liability	\$ 5,419,356	\$ 4,483,790	\$ 4,069,016
City's covered payroll	\$ 6,013,912	\$ 5,832,929	\$ 5,579,433
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	90.11%	76.87%	72.93%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal 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, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.15282200%	0.15078500%	0.15314500%
City's proportionate share of the net OPEB liability	\$ 1,391,679	\$ 8,543,289	\$ 7,269,449
City's covered payroll	\$ 3,506,114	\$ 3,308,080	\$ 3,309,112
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	39.69%	258.26%	219.68%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	14.13%	15.96%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal 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, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2019	2018	2017	2016
Contractually required contribution	\$ 408	\$ 1,331	\$ 60,152	\$ 115,389
Contributions in relation to the contractually required contribution	(408)	(1,331)	(60,152)	(115,389)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 6,056,081	\$ 6,013,912	\$ 5,832,929	\$ 5,579,433
Contributions as a percentage of covered payroll	0.01%	0.02%	1.03%	2.07%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 106,184	\$ 105,230	\$ 51,735	\$ 207,077	\$ 203,258	\$ 266,696
<u>(106,184)</u>	<u>(105,230)</u>	<u>(51,735)</u>	<u>(207,077)</u>	<u>(203,258)</u>	<u>(266,696)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,403,491	\$ 5,691,367	\$ 5,173,469	\$ 5,132,654	\$ 5,043,893	\$ 5,252,941
1.97%	1.85%	1.00%	4.03%	4.03%	5.08%

**CITY OF FREMONT
SANDUSKY COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2019	2018	2017	2016
<i>Police:</i>				
Contractually required contribution	\$ 10,261	\$ 10,056	\$ 9,161	\$ 9,132
Contributions in relation to the contractually required contribution	(10,261)	(10,056)	(9,161)	(9,132)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 2,052,189	\$ 2,011,216	\$ 1,832,195	\$ 1,826,384
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
 <i>Fire:</i>				
Contractually required contribution	\$ 7,798	\$ 7,474	\$ 7,379	\$ 7,414
Contributions in relation to the contractually required contribution	(7,798)	(7,474)	(7,379)	(7,414)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,559,672	\$ 1,494,898	\$ 1,475,885	\$ 1,482,728
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 9,431	\$ 9,101	\$ 65,692	\$ 131,447	\$ 129,825	\$ 130,859
<u>(9,431)</u>	<u>(9,101)</u>	<u>(65,692)</u>	<u>(131,447)</u>	<u>(129,825)</u>	<u>(130,859)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,836,511	\$ 1,970,763	\$ 1,808,739	\$ 1,947,373	\$ 1,923,341	\$ 1,938,659
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%
\$ 7,041	\$ 7,155	\$ 50,724	\$ 96,379	\$ 93,733	\$ 99,588
<u>(7,041)</u>	<u>(7,155)</u>	<u>(50,724)</u>	<u>(96,379)</u>	<u>(93,733)</u>	<u>(99,588)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,408,213	\$ 1,559,119	\$ 1,399,742	\$ 1,427,832	\$ 1,388,632	\$ 1,475,380
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

**CITY OF FREMONT
SANDUSKY COUNTY, OHIO**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple. There were no changes in assumptions for 2019.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018. For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%.

June 26, 2020

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, 2019, 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 26, 2020, in which we noted that, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hea & Associates, Inc.

Lima, Ohio

OHIO AUDITOR OF STATE KEITH FABER



**CITY OF FREMONT
SANDUSKY COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/18/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov